

**Consolidated Financial Statements**

**The City of Ottawa**

**December 31, 2023**

## MANAGEMENT'S REPORT

The integrity, relevance and comparability of the data in the accompanying consolidated financial statements are the responsibility of management of the City of Ottawa (the "City").

The consolidated financial statements are prepared by management, in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. The consolidated financial statements necessarily include some amounts that are based on the best estimates and judgments of management. Financial data elsewhere in the report is consistent with that in the consolidated financial statements.

To assist in its responsibility, management maintains accounting, budget and other controls to provide reasonable assurance that transactions are appropriately authorized, that assets are properly accounted for and safeguarded, and that financial records are reliable for the preparation of consolidated financial statements.

The Auditor General's office reports directly to City Council ("Council") and, on an ongoing basis, carries out its audit program to ensure internal controls and their application are reviewed and financial information is tested and independently verified.

Council fulfils its responsibility for financial reporting through its Audit Committee and the Finance and Corporate Services Committee.

KPMG LLP, Chartered Professional Accountants, have been appointed by Council to express an opinion on the City's consolidated financial statements. Their report follows.



Wendy Stephanson  
City Manager  
Ottawa, Canada



Cyril Rogers  
Interim Chief Financial Officer  
Ottawa, Canada



**KPMG LLP**

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**INDEPENDENT AUDITOR'S REPORT**

To the Mayor and Members of Council

***Opinion***

We have audited the consolidated financial statements of City of Ottawa (the City), which comprise:

- the consolidated statement of financial position as at December 31, 2023
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of changes in net debt for the year then ended
- the consolidated statement of remeasurement gains and losses for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the City as at December 31, 2023, and its consolidated results of operations, its consolidated changes in net debt, its consolidated remeasurement gains and losses, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “***Auditor’s Responsibilities for the Audit of the Financial Statements***” section of our auditor’s report.

We are independent of the City in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.



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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

***Emphasis of Matter – Prospective Change in Accounting Policy***

We draw attention to Note 26 to the financial statements which indicates that the City has adopted certain public sector accounting standards on a prospective basis.

Our opinion is not modified in respect of this matter.

***Emphasis of Matter – Comparative Information***

We draw attention to Note 25 to the financial statements which explains that certain comparative information presented for the year ended December 31, 2022 has been restated and corrected.

Note 25 explains the reason for the restatements and corrections and also explains the adjustments that were applied to certain comparative information.

Our opinion is not modified with respect of this matter.

***Other Matter – Comparative Information***

The financial statements for the year ended December 31, 2022, excluding the adjustments that were applied to restate and correct certain comparative information, were audited by another auditor who expressed an unmodified opinion on those financial statements on June 15, 2023.

As part of our audit of the financial statements for the year ended December 31, 2023, we also audited the adjustments that were applied to restate and correct certain comparative information presented for the year ended December 31, 2022. In our opinion, such adjustments are appropriate and have been properly applied.

Other than with respect to the adjustments that were applied to restate certain comparative information, we were not engaged to audit, review or apply any procedures to the financial statements for the year ended December 31, 2022. Accordingly, we do not express an opinion or any other form of assurance on those financial statements taken as a whole.

***Other Information***

Management is responsible for the other information. Other information comprises:

- the information, other than the financial statements and the auditor's report thereon, included in a document likely to be entitled "Annual Report"

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.



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In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditor's report thereon, included in the Annual Report as at the date of this auditor's report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the City's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the City or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the City's financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.



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As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the City's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the City to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



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Obtain sufficient audit evidence regarding the financial information of the entities or business activities within the Group of the City to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion

*KPMG LLP*

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Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

June 26, 2024

## THE CITY OF OTTAWA

### Consolidated statement of financial position

As at December 31, 2023, with comparative information as at December 31, 2022 (*dollars in thousands*)

| <b>Financial assets</b>   | <b>2023</b>         | <b>2022</b>             |
|---|---------------------|-------------------------|
|   |                     | (Restated –<br>note 25) |
| Cash and cash equivalents   | <b>\$1,300,718</b>  | \$782,034               |
| Accounts receivable ( <i>note 3</i> )                             | <b>607,445</b>      | 1,176,999               |
| Investments ( <i>note 4</i> )                                     | <b>1,724,076</b>    | 1,796,577               |
| Investment in government business enterprise ( <i>note 5</i> )    | <b>529,669</b>      | 526,944                 |
| Loan receivable ( <i>note 6</i> )                                 | <b>204,630</b>      | 212,012                 |
| <b>Total financial assets</b>                                     | <b>4,366,538</b>    | 4,494,566               |
| <b>Liabilities</b>  |                     |                         |
| Accounts payable and accrued liabilities ( <i>note 7</i> )        | <b>1,637,887</b>    | 1,662,160               |
| Deferred revenue ( <i>note 8</i> )                                | <b>1,405,018</b>    | 1,267,679               |
| Employee future benefits and pension agreements ( <i>note 9</i> ) | <b>772,958</b>      | 732,484                 |
| Asset retirement obligations ( <i>note 10</i> )                   | <b>76,199</b>       | 74,559                  |
| Contaminated sites ( <i>note 11</i> )                             | <b>19,143</b>       | 21,331                  |
| Net long-term debt ( <i>note 12</i> )                             | <b>3,305,549</b>    | 3,211,582               |
| Mortgages payable ( <i>note 13</i> )                              | <b>391,230</b>      | 313,877                 |
| Other liabilities ( <i>note 14</i> )                              | <b>60,092</b>       | 58,902                  |
| Capital lease obligations ( <i>note 15</i> )                      | <b>65,430</b>       | 72,407                  |
| <b>Total liabilities</b>  | <b>7,733,506</b>    | 7,414,981               |
| <b>Net debt</b>   | <b>(3,366,968)</b>  | (2,920,415)             |
| <b>Non-financial assets</b>                                       |                     |                         |
| Tangible capital assets ( <i>note 16</i> )                        | <b>22,250,618</b>   | 20,918,781              |
| Inventories   | <b>67,905</b>       | 57,664                  |
| Prepaid expenses  | <b>48,623</b>       | 40,465                  |
| <b>Total non-financial assets</b>                                 | <b>22,367,146</b>   | 21,016,910              |
| <b>Accumulated surplus</b> ( <i>note 17</i> )                     | <b>\$19,000,178</b> | \$18,096,495            |
| Accumulated surplus is comprised of:                              |                     |                         |
| Accumulated surplus - operations                                  | <b>\$18,961,351</b> | \$18,096,495            |
| Accumulated remeasurement gains                                   | <b>38,827</b>       | 0                       |
|   | <b>\$19,000,178</b> | \$18,096,495            |

Note 18: Contingencies, commitments and contractual rights

*The accompanying notes are an integral part of these consolidated financial statements.*



## THE CITY OF OTTAWA

### Consolidated statement of operations and accumulated surplus

For the year ended December 31, 2023, with comparative information for the year ended December 31, 2022 (*dollars in thousands*)

| <b>Revenue</b>  | <b>2023<br/>Budget<br/>(note 23)</b> | <b>2023<br/>Actual</b> | <b>2022<br/>Actual</b>  |
|---|--------------------------------------|------------------------|-------------------------|
|   |                                      |                        | (Restated –<br>note 25) |
| Taxes available for municipal purposes<br>(note 19)             | \$2,230,703                          | <b>\$2,282,933</b>     | \$2,137,217             |
| Government transfers  | 1,548,222                            | <b>1,308,108</b>       | 1,546,685               |
| Fees and user charges   | 980,069                              | <b>959,863</b>         | 873,192                 |
| Contributed tangible capital assets                             | 441,038                              | <b>488,087</b>         | 469,303                 |
| Development charges   | 190,694                              | <b>170,256</b>         | 168,419                 |
| Investment income   | 61,283                               | <b>95,691</b>          | 73,143                  |
| Fines and penalties   | 59,038                               | <b>55,048</b>          | 46,791                  |
| Other revenue   | 40,429                               | <b>56,603</b>          | 84,875                  |
| Share of earnings of government business<br>enterprise (note 5) | 34,300                               | <b>24,104</b>          | 39,674                  |
| <b>Total revenue</b>  | <b>5,585,776</b>                     | <b>5,440,693</b>       | 5,439,299               |
| <b>Expenses</b>   |                                      |                        |                         |
| General government  | 114,877                              | <b>115,682</b>         | 122,496                 |
| Protection to persons and property                              | 687,250                              | <b>758,321</b>         | 709,384                 |
| Roads, traffic and parking                                      | 464,888                              | <b>493,362</b>         | 445,868                 |
| Transit   | 793,699                              | <b>781,055</b>         | 765,405                 |
| Environmental services  | 500,852                              | <b>517,004</b>         | 485,899                 |
| Health services   | 260,398                              | <b>258,974</b>         | 283,289                 |
| Social and family services                                      | 782,176                              | <b>724,130</b>         | 608,750                 |
| Social housing  | 359,543                              | <b>435,553</b>         | 457,784                 |
| Recreation and cultural services                                | 399,722                              | <b>404,117</b>         | 373,097                 |
| Planning and development  | 94,839                               | <b>87,639</b>          | 95,240                  |
| <b>Total expenses (note 20)</b>                                 | <b>4,458,244</b>                     | <b>4,575,837</b>       | 4,347,212               |
| <b>Annual surplus</b>   | <b>1,127,532</b>                     | <b>864,856</b>         | 1,092,087               |
| Accumulated surplus - operations, opening                       | 18,096,495                           | <b>18,096,495</b>      | 17,132,487              |
| Restatements (note 25)  | 0                                    | <b>0</b>               | (131,754)               |
| Accumulated surplus - operations, opening, as<br>restated       | 18,096,495                           | <b>18,096,495</b>      | 17,000,733              |
| Other comprehensive income                                      | 0                                    | <b>0</b>               | 3,675                   |
| <b>Accumulated surplus - operations, ending</b>                 | <b>\$19,224,027</b>                  | <b>\$18,961,351</b>    | \$18,096,495            |

The accompanying notes are an integral part of these consolidated financial statements.

## THE CITY OF OTTAWA

### Consolidated statement of change in net debt

For the year ended December 31, 2023, with comparative information for the year ended December 31, 2022 (*dollars in thousands*)

|  | <b>2023<br/>Budget<br/>(note 23)</b> | <b>2023<br/>Actual</b> | <b>2022<br/>Actual</b>  |
|--|--------------------------------------|------------------------|-------------------------|
|  |                                      |                        | (Restated –<br>note 25) |
| Annual surplus   | \$1,127,532                          | <b>\$864,856</b>       | \$1,092,087             |
| Acquisition of tangible capital assets including<br>contributed assets | (1,769,245)                          | <b>(1,769,245)</b>     | (1,688,570)             |
| Amortization of tangible capital assets                                | 411,968                              | <b>411,968</b>         | 401,015                 |
| Loss on disposal of tangible capital assets                            | 23,182                               | <b>23,182</b>          | 19,147                  |
| Proceeds on disposal of tangible capital assets                        | 2,258                                | <b>2,258</b>           | 1,433                   |
| Supply of inventories  | (10,241)                             | <b>(10,241)</b>        | (5,555)                 |
| Increase in prepaid expenses   | (8,158)                              | <b>(8,158)</b>         | (1,049)                 |
| Change in net debt excluding remeasurement<br>gains                    | (222,704)                            | <b>(485,380)</b>       | (181,492)               |
| Net debt, opening  | (2,920,415)                          | <b>(2,920,415)</b>     | (2,595,301)             |
| Restatements (note 25)   | 0                                    | <b>0</b>               | (147,297)               |
| Net debt, opening, as restated   | (2,920,415)                          | <b>(2,920,415)</b>     | (2,742,598)             |
| Accumulated remeasurement gains  | 38,827                               | <b>38,827</b>          | 0                       |
| Other comprehensive income   | 0                                    | <b>0</b>               | 3,675                   |
| <b>Net debt, ending</b>  | <b>\$(3,104,292)</b>                 | <b>\$(3,366,968)</b>   | <b>\$(2,920,415)</b>    |

*The accompanying notes are an integral part of these consolidated financial statements.*

## THE CITY OF OTTAWA

### Consolidated statement of cash flows

For the year ended December 31, 2023, with comparative information for the year ended December 31, 2022 (*dollars in thousands*)

| <b>Operating activities</b>                                     | <b>2023</b>        | <b>2022</b>             |
|---|--------------------|-------------------------|
|   |                    | (Restated –<br>note 25) |
| Annual surplus  | <b>\$864,856</b>   | \$1,092,087             |
| Items not affecting cash  |                    |                         |
| Share of earnings of government business enterprise             | <b>(24,104)</b>    | (39,674)                |
| Amortization of tangible capital assets                         | <b>411,968</b>     | 401,015                 |
| Contributed tangible capital assets                             | <b>(488,087)</b>   | (469,303)               |
| Loss on disposal of tangible capital assets                     | <b>23,182</b>      | 19,147                  |
|   | <b>787,815</b>     | 1,003,272               |
| <b>Changes in assets and liabilities</b>                        |                    |                         |
| Decrease (increase) in accounts receivable                      | <b>569,554</b>     | (181,056)               |
| Increase in inventories   | <b>(10,241)</b>    | (5,555)                 |
| Increase in prepaid expenses                                    | <b>(8,158)</b>     | (1,049)                 |
| Decrease in loan receivable                                     | <b>7,382</b>       | 7,039                   |
| (Decrease) increase in accounts payable and accrued liabilities | <b>(24,273)</b>    | 195,686                 |
| Increase in deferred revenue                                    | <b>137,339</b>     | 159,483                 |
| Increase in employee future benefits and pension agreements     | <b>40,474</b>      | 4,274                   |
| Increase in asset retirement obligation liability               | <b>1,640</b>       | 1,357                   |
| (Decrease) increase in liabilities for contaminated sites       | <b>(2,188)</b>     | 74                      |
| Increase in other liabilities                                   | <b>1,190</b>       | 3,118                   |
| <b>Cash provided by operating activities</b>                    | <b>1,500,534</b>   | 1,186,643               |
| <b>Capital activities</b>                                       |                    |                         |
| Acquisition of tangible capital assets                          | <b>(1,281,158)</b> | (1,219,267)             |
| Proceeds on disposal of tangible capital assets                 | <b>2,258</b>       | 1,433                   |
| <b>Cash applied to capital activities</b>                       | <b>(1,278,900)</b> | (1,217,834)             |
| <b>Investing activities</b>                                     |                    |                         |
| Net sale (purchase) of investments                              | <b>112,707</b>     | (85,381)                |
| Dividends from Hydro Ottawa Holding Inc.                        | <b>20,000</b>      | 23,700                  |
| <b>Cash provided by (applied to) investing activities</b>       | <b>132,707</b>     | (61,681)                |

## THE CITY OF OTTAWA

### Consolidated statement of cash flows (continued)

For the year ended December 31, 2023, with comparative information for the year ended December 31, 2022 (*dollars in thousands*)

| <b>Financing activities</b>   | <b>2023</b>        | <b>2022</b>             |
|---|--------------------|-------------------------|
|   |                    | (Restated –<br>note 25) |
| Proceeds from new long-term debt issued                                 | <b>290,079</b>     | 319,273                 |
| Interest earned on sinking funds  | <b>(11,510)</b>    | (7,002)                 |
| Change in reporting for bond premium/discount for financial instruments | <b>39,839</b>      | 0                       |
| Debt principal repayments:  |                    |                         |
| Net long-term debt  | <b>(136,442)</b>   | (129,766)               |
| Mortgages payable   | <b>(10,646)</b>    | (10,249)                |
| Capital lease obligations   | <b>(6,977)</b>     | (6,630)                 |
| <b>Cash provided by financing activities</b>                            | <b>164,343</b>     | 165,626                 |
| <b>Change in cash and cash equivalents</b>                              |                    |                         |
| Increase in cash and cash equivalents during the year                   | <b>518,684</b>     | 72,754                  |
| Cash and cash equivalents, beginning of the year                        | <b>782,034</b>     | 709,280                 |
| <b>Cash and cash equivalents, end of the year</b>                       | <b>\$1,300,718</b> | \$782,034               |

*The accompanying notes are an integral part of these consolidated financial statements.*

## THE CITY OF OTTAWA

### Consolidated statement of remeasurement gains and losses

For the year ended December 31, 2023

*(dollars in thousands)*

|   | <b>2023</b>     |
|---|-----------------|
| Accumulated remeasurement gains, beginning of the year      | <b>\$0</b>      |
| Unrealized remeasurement gains (losses) attributable to:    |                 |
| Other comprehensive income (loss) of subsidiary corporation | <b>(1,379)</b>  |
| Endowment fund equities                                     | <b>40,206</b>   |
| <b>Net change in remeasurement gains for the year</b>       | <b>38,827</b>   |
| <b>Accumulated remeasurement gains, end of the year</b>     | <b>\$38,827</b> |

*The accompanying notes are an integral part of these consolidated financial statements*

## **THE CITY OF OTTAWA**

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

### **1. Nature of business**

The City of Ottawa (the “City”) was created through provincial legislation on December 20, 1999 and commenced operations on January 1, 2001.

The City is responsible for providing municipal services such as employment and financial assistance; long-term care; community services and libraries; emergency and protective services including police, fire and ambulance; and transportation, utilities and public works, including roads, sewers and wastewater, drinking water, waste collection and disposal.

As sole shareholder of Hydro Ottawa Holdings Inc. (“Hydro Ottawa”) and the Ottawa Community Housing Corporation (“OCHC”), the City also provides hydro and housing services to the residents of Ottawa. In 2009, Build Ottawa (formerly known as the Ottawa Community Lands Development Corporation) and the Manotick Mill Quarter Community Development Corporation (“MMQCDC”) were created for the purpose of promoting and undertaking community improvements in the City by managing real property. The MMQCDC was dissolved as of March 31, 2023.

### **2. Significant accounting policies**

#### **Basis of accounting**

The consolidated financial statements are prepared by management in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board (“PSAB”) of the Chartered Professional Accountants of Canada.

## THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

### 2. Significant accounting policies (continued)

#### Basis of consolidation

The consolidated financial statements of the City reflect the assets, liabilities, revenue and expenses for the activities of all committees of City Council (“Council”) and the following boards, Business Improvement Areas (“BIA”) and entities:

|   |                                  |
|---|----------------------------------|
| The Police Services Board   | The Heart of Orleans BIA         |
| The Ottawa Public Library Board   | The Carp Road Corridor BIA       |
| The Ottawa Board of Health  | The Carp Village BIA             |
| The Ottawa Community Housing Corporation  | The Vanier BIA                   |
| Manotick Mill Quarter Community Development Corporation                         | The Manotick BIA                 |
| Build Ottawa (formerly known as Ottawa Community Lands Development Corporation) | The Sparks Street Mall Authority |
| The Centretown BIA (formerly known as the Bank Street BIA)                      | The Somerset Village BIA         |
| The Westboro Village BIA  | The Preston Street BIA           |
| The Sparks Street BIA   | The Byward Market BIA            |
| The Somerset Street Chinatown BIA   | The Downtown Rideau BIA          |
| The Glebe BIA   | The Barrhaven BIA                |
|   | The Wellington West BIA          |
|   | The Kanata North BIA             |
|   | The Bells Corners BIA            |
|   | The Kanata Central BIA           |

All interfund assets, liabilities, revenue and expenses have been eliminated.

Hydro Ottawa and its subsidiaries are accounted for on a modified equity basis, consistent with the generally accepted accounting treatment for government business enterprises (*see note 5*). These corporations follow International Financial Reporting Standards (“IFRS”). Under the modified equity basis, the business enterprise’s accounting policies are not adjusted to conform to those of the City, and inter-organizational transactions and balances are not eliminated. Other comprehensive income or loss of the enterprise is recorded directly to the City’s remeasurement gains and losses and net debt.

## THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

### 2. Significant accounting policies (continued)

#### School boards

The taxation, other revenue, expenses, assets and liabilities with respect to the operations of the school boards are not reflected in these consolidated financial statements as school boards are separate entities and the City does not control or have any involvement in the operations of school boards.

#### Use of estimates and measurement uncertainty

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions on such areas as asset retirement obligations including landfill closure and post-closure liabilities, employee benefits liabilities, property tax assessment appeals, legal claims provisions, liabilities for contaminated sites, and contributed tangible capital assets.

In addition, the City's implementation of PS3280 Asset Retirement Obligations has resulted in the requirement for management to make estimates regarding the useful lives of affected tangible capital assets and the expected retirement costs, as well as the timing and duration of these retirement costs.

These estimates and assumptions are based on the City's best information and judgement and actual amounts may differ significantly from these estimates.

#### Revenue and expenses

Revenue and expenses are reported on the accrual basis of accounting, which recognizes revenue as it is earned and measurable; expenses are recognized as they are incurred and measurable, as a result of receipt of goods or services.

#### Tax revenue

Annually, the City bills and collects property tax revenue for municipal purposes, provincial education taxes on behalf of the Province of Ontario (the "Province"), payment in lieu of taxes, local improvements and other charges (*see note 19*). The authority to levy and collect property taxes is established under the *Municipal Act, 2001*, the *Assessment Act*, the *Education Act*, and other legislation.

Property tax revenue and associated receivables are recognized when they meet the definition of an asset and a revenue; the tax is authorized; and the taxable event has occurred. Assessments and the related property taxes are subject to appeal. Tax adjustments as a result of appeals are recorded when the result of the appeal process is known.



## **THE CITY OF OTTAWA**

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

### **2. Significant accounting policies (continued)**

#### **Government transfers**

Government transfers are transfers from senior levels of government that are not the result of an exchange transaction. Government transfers are recognized in the fiscal years during which events giving rise to the transfer occur, provided the transfers are authorized, eligibility criteria and stipulations have been met and reasonable estimates of the amounts can be made.

In addition, the City provides transfers to individuals or organizations. These transfers are recognized as expenses once they are authorized and eligibility criteria, if any, are met.

#### **Fees and user charges**

Fees and user charges relate to transit fares; utility charges; water, wastewater, and solid waste; licensing fees; fees for use of various programming; and fees imposed based on specific activities. Revenue is recognized when the activity is performed or when the services are rendered.

#### **Development charges**

Development charges are one-time fees levied by the City on new residential and non-residential properties to help fund a portion of the growth-related capital infrastructure. The authority to introduce development charges is provided by provincial legislation, and the operational details and schedule of charges are outlined in the City's by-law. Development charges are determined and accounted for by type of service component. The amount of charges varies by dwelling type and by location within the City reflecting different actual costs of establishing and providing the service. The underlying intent of development charges is that growth pays for growth and that the financing of capital costs required to service new growth does not place a burden on existing taxpayers.

Actual funding transfers to capital projects are made in accordance with regulations that stipulate that development charges may only be applied to projects when costs are incurred. Growth-related spending authority is approved annually as part of the City's budgeting process, with only those capital projects included in the current Development Charges Background Study being eligible for funding. Development charge fund balances are monitored annually through the capital budget approval process to ensure they are in compliance with the overall policies adopted by Council. Development charges are recognized as revenue when the related expenses are incurred.

## **THE CITY OF OTTAWA**

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

### **2. Significant accounting policies (continued)**

#### **Investment income**

Investment income is recorded as revenue in the period in which it is earned. Investment income also includes income for the City's Endowment Fund and is invested in accordance with the investment policy and procedures adopted by Council.

#### **Other revenue**

Other revenue includes revenue from land sales, cash in lieu of parkland, and other miscellaneous revenue. Amounts received relating to revenue that will be earned in a subsequent year are deferred and reported as deferred revenue.

#### **Financial instruments**

The City's financial instruments consist of cash and cash equivalents, accounts receivable, investments, loan receivable, accounts payable and accrued liabilities, accrued interest, net long-term debt, mortgages payable and other liabilities.

The City uses derivative financial instruments consisting of bank swaps to reduce its exposure to interest rate risk related to its debt. The City does not use financial instruments for trading or speculative purposes.

The City uses bank swaps to manage commodity price fluctuations. These bank swaps are used to set a fixed price for a specific quantity over a defined term and settle on specific dates commensurate with the defined term. Swaps result in a payment or receipt of funds to or from the counterparty to the transaction. Gains (receipts) or losses (payments) are recognized in the same period as the delivery of the underlying commodity.

#### **Cash and cash equivalents**

Cash and cash equivalents include cash on hand and highly liquid investments with original maturities of 90 days or less from the date when the securities are purchased.

#### **Investments**

Equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are recorded at amortized cost less amounts written off to reflect a permanent decline in value.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the consolidated statement of operations and accumulated surplus.

## THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

### 2. Significant accounting policies (continued)

#### Investments (continued)

Investments consist of authorized investments pursuant to provisions of the *Municipal Act* and comprise financial instruments issued by the Canadian government and Schedule I, II, and III banks, as well as asset-backed securities and eligible commercial paper. Included within investments are specific investments for the endowment fund consisting of Canadian equities and corporate bonds as authorized by Provincial Regulation 438/97. All investments are in accordance with the Investment Policy approved by Council. Investments with original maturity dates of more than 90 days are classified as investments on the consolidated statement of financial position. When there has been a loss in value of a portfolio investment that is other than a temporary decline, the investment will be written down to recognize the loss. Any write-down would be included in the consolidated statement of operations and accumulated surplus.

#### Foreign currency transactions

Transactions involving foreign currencies are converted into Canadian dollar equivalents using rates of exchange in effect at the time of the transactions.

#### Loan receivable

A loan receivable is recognized by the City on its consolidated statement of financial position when the City has the contractual right to receive cash from the borrower. The loan receivable is initially recorded at cost. If circumstances warrant the revaluation of a loan, the City will report the loan receivable net of any related valuation allowance/write-down. Changes in valuation allowances, if applicable, will be recognized in expenses in the consolidated statement of operations and accumulated surplus. Interest revenue on a loan receivable is recognized when earned and is reflected in the consolidated statement of operations and accumulated surplus.

#### Deferred revenue

Certain amounts are received in advance pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. In addition, certain user charges and fees are collected in advance for which the related services have yet to be performed. These amounts are recorded as deferred revenue and are recognized as revenue in the year during which the related expenses are incurred provided eligibility criteria and stipulations have been met.

## THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

### 2. Significant accounting policies (continued)

#### Employee benefit plans

The City has adopted the following policies with respect to employee benefit plans:

- (a) The costs of post-employment benefits are recognized as a liability when the event that obligates the City occurs. The costs are actuarially determined using projected future income payments, health care continuation costs, and fees paid to independent administrators of these plans, calculated on a present value basis.
- (b) The costs of post-retirement benefits are recognized as a liability when the event that obligates the City occurs. The costs are actuarially determined using the projected benefits method prorated on service and management's best estimate of retirement ages of employees, salary escalation, expected health care costs, and plan investment performance.
- (c) Past service costs for plan amendments related to prior-period employee services are accounted for in the period of the plan amendment. The effects of gain or loss from settlements or curtailments are expensed in the period during which they occur. Net actuarial gains and losses related to employee benefits are amortized over the estimated average remaining service life of the related employee group. Employee future benefits are discounted using current interest rates on City-issued long-term bonds.
- (d) The costs of workplace safety and insurance obligations are recognized as a liability when the event that obligates the City occurs. The liability is actuarially determined and is based upon an estimate of future claims to be insured. This is based on a number of assumptions including future interest rates, inflation rates, and the history of claims with City employees.
- (e) The costs of termination benefits and compensated absences are recognized when the event that obligates the City occurs; costs include projected future income payments, health care continuation costs, and fees paid to independent administrators of these plans, calculated on a present value basis.

## **THE CITY OF OTTAWA**

Notes to the consolidated financial statements  
December 31, 2023 (*dollars in thousands*)

### **2. Significant accounting policies (continued)**

#### **Pension agreements**

The City has adopted the following policies with respect to pension agreements:

- (a) The contributions to a multi-employer, defined benefit pension plan are expensed when contributions are due.
- (b) The actuarial valuation is determined using the projected unit credit method prorated on credited service. It is also based on management's best estimates and assumptions that include assumptions for employee retirement ages, salary escalation, and plan investment performance, which are used for discounting benefits. Plan assets are valued using a market-related value, determined over a three-year period.

#### **Legal claims and contingencies**

Estimated costs to settle legal claims and possible legal claims are determined based on available information. Where the costs are deemed to be likely and can be reasonably estimated, claims are reported as an expense on the consolidated statement of operations and accumulated surplus and a liability on the consolidated statement of financial position. Where costs are deemed not to be determinable, no liability is reported on the consolidated statement of financial position.

#### **Contaminated sites**

Criteria to recognize a liability for contaminated sites are as follows:

- (i) An environmental standard exists;
- (ii) Contamination exceeds the standard;
- (iii) The City is directly responsible or accepts responsibility for the contamination;
- (iv) It is expected that future economic benefits will be given up; and
- (v) A reasonable estimate of the amount can be made.

When all the criteria for recognition are met, the City accrues a liability for the estimated amount of future remediation costs of contaminated sites no longer in productive use.

## THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

### 2. Significant accounting policies (continued)

#### Asset retirement obligations

Asset retirement obligations (“ARO”) are costs expected to be incurred as a result of the retirement or disposal of a tangible capital asset (“TCA”). An ARO must be recognized on the statement of financial position when all the following criteria are met:

- (a) There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- (b) The past transaction or event giving rise to the liability has occurred;
- (c) It is expected that future economic benefits will be given up and,
- (d) A reasonable estimate of the amount can be made.

The most substantial portion of the ARO liability for the City stems from the removal of asbestos in several of the buildings owned by the City. The ARO liability for removal of asbestos has been based on previous abatement work and costs incurred for representative projects and has been recognized under the modified retroactive method. The City has also identified associated costs related to the asbestos removal and calculated a cost per square foot, which was applied to the remaining buildings built before 1991.

Landfills are subject to existing requirements for closure and post closure activities on retirement of the landfill. The majority of the City’s landfills are no longer in productive use. For these assets, the costs of retirement are expensed. For active landfill sites, as there is still a future benefit to be gained, the costs are included as an ARO. The estimated costs to close and maintain solid waste landfill sites are based on future expenses for 25 years.

The recognition of a liability resulted in an accompanying increase to the respective tangible capital assets. The increase to the tangible capital asset is being amortized in accordance with the depreciation accounting policies outlined below. A discount rate was not applied to the ARO liability calculation.

## THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

### 2. Significant accounting policies (continued)

#### Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives beyond the current year and are not intended for sale in the ordinary course of operations.

##### (a) Tangible capital assets

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development or betterment of an asset. The costs, less residual value, of the tangible capital assets, excluding land, are amortized on a straight-line basis over their estimated useful lives, as follows:

| <b>Asset - Useful life - Years</b> | <b>Minimum</b> | <b>Maximum</b> |
|------------------------------------|----------------|----------------|
| Buildings and improvements         | 20             | 100            |
| Linear roads                       | 50             | 75             |
| Linear water/wastewater            | 50             | 100            |
| Linear Light Rail Transit ("LRT")  | 30             | 100            |
| Land improvements                  | 50             | 200            |
| Machinery, plant and equipment     | 5              | 50             |
| Vehicles                           | 3              | 20             |

Assets under construction are not amortized. All assets start amortization in the month following the in-service date.

##### (b) Contributed tangible capital assets

Contributed tangible capital assets represent assets that are donated or contributed to the City by developers and are recognized as revenue in the year the assets are contributed based on fair market value at the date of contribution.

##### (c) Intangible assets

Intangible assets and natural resources are not recognized as assets in the consolidated financial statements.

##### (d) Interest capitalization

The City's tangible capital asset policy does not allow for the capitalization of interest costs incurred by the City associated with the acquisition or construction of a tangible capital asset.

## THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

### 2. Significant accounting policies (continued)

#### Non-financial assets (continued)

##### (e) Leases

Leases are classified as operating or capital leases. Leases that transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases and recorded as a liability. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

##### (f) Inventories

Inventories held for consumption are recorded at the lower of cost and replacement cost.

#### Reserves

Reserves comprise funds set aside for specific purposes by Council (*see note 17*). Reserves set aside by legislation, regulation, or agreement are reported as deferred revenue on the consolidated statement of financial position.

#### Contractual rights and obligations

Contractual rights reflect future rights to economic resources arising from contracts and/or agreements that will result in both an asset and revenue in future fiscal periods. For further details regarding the City's contractual rights for long-term property leases, please see note 18(m).

Contractual obligations represent obligations that will result in liabilities upon the completion of agreed-upon terms specified in contracts and/or agreements in future fiscal periods. For further details regarding the City's contractual obligations, including the nature, extent and timing of these types of transactions, please see note 18.



## THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

### 2. Significant accounting policies (continued)

#### Future accounting pronouncements

Standards effective for fiscal years beginning on or after April 1, 2023 (in effect for the City for the fiscal year ending on December 31, 2024):

**PS 3400 Revenue** (“PS 3400”) proposes a framework that includes two categories of revenue – exchange transactions or unilateral transactions. Revenue from an exchange transaction is recognized when the public sector entity has satisfied the performance obligation(s). If no performance obligation is present, it would be unilateral revenues. Unilateral revenues are recognized when a public sector entity has the authority to claim or retain an inflow of economic resources and a past event gives rise to a claim on economic resources.

**PS 3160 Public Private Partnerships (“P3s”)** (“PS 3160”) identifies requirements on how to account for and disclose transactions in which public sector entities procure major infrastructure assets and/or services from private sector entities. Recognition of assets arising from P3 arrangements is ultimately dependent on whether public sector entities control the purpose and use of the assets, access to the future economic benefits and exposure to the risks associated with the assets, and significant residual interest in the asset, if any, at the end of the term of P3s. Measurement of the asset and related liability will also be dependent on the overall model used to compensate the private sector entity.

**PSG-8 Purchased Intangibles** provides guidelines on accounting and reporting for purchased intangibles. Concurrently, PS 1000 Financial Statement Concepts has been amended to remove the prohibition against recognizing intangibles purchased in an exchange transaction in public sector financial statements.

The City continues to assess the impacts of the above future standards.

### 3. Accounts receivable

Accounts receivable comprise the following:

|                                  | <b>2023</b>      | <b>2022</b> |
|----------------------------------|------------------|-------------|
| Taxes                            | <b>\$141,536</b> | \$129,307   |
| User charges                     | <b>56,665</b>    | 62,543      |
| Government transfers:            |                  |             |
| Federal government               | <b>152,083</b>   | 395,332     |
| Provincial government            | <b>125,301</b>   | 447,449     |
| Trade                            | <b>131,860</b>   | 142,368     |
| <b>Total accounts receivable</b> | <b>\$607,445</b> | \$1,176,999 |

## THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

### 4. Investments and financial risk management

#### Investments

Investments comprise the following:

| <b>Investments at amortized cost</b>             | <b>2023</b>      |
|--|------------------|
| Federal government bonds                         | \$738,454        |
| Provincial government bonds                      | 383,539          |
| Municipal government bonds                       | 302,620          |
| Corporate (fixed income)                         | 4,494            |
| Externally managed endowment fund – fixed income | 80,322           |
| Other  | 89,983           |
|  | <b>1,599,412</b> |
| <b>Equities at fair value</b>                    |                  |
| Externally managed endowment fund                | 124,664          |
| <b>Total Investments</b>                         | <b>1,724,076</b> |

  

| <b>Investments at amortized cost</b> | <b>2022</b>        |
|--------------------------------------|--------------------|
| Federal government bonds             | \$770,110          |
| Provincial government bonds          | 448,879            |
| Municipal government bonds           | 333,822            |
| Corporate (fixed income)             | 18,533             |
| Externally managed endowment fund    | 159,690            |
| Other                                | 65,543             |
| <b>Total</b>                         | <b>\$1,796,577</b> |

Included in the City's municipal government bonds portfolio are City of Ottawa debentures at coupon rates varying from 4.60% to 5.30% (2022 – 4.60% to 5.30%) with a carrying value of \$56 (2022 – \$56).

The holdings of the endowment fund are managed by external portfolio managers engaged by the City and are in accordance with the investment policy and procedures adopted by Council. Based upon market value, as at December 31, 2023, the endowment fund was distributed between cash and treasury bills 2.0% (2022 – 3.2%), fixed income 46.7% (2022 – 47.2%) and equities 51.3% (2022 – 49.6%).

“Other” consists of units of the One Investment Program equity portfolio operated by a subsidiary of the Municipal Finance Officers' Association of Ontario, as well as a Guaranteed Investment Certificate (GIC).

## THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

### 4. Investments and financial risk management (continued)

The average yield on investments held as at December 31, 2023 is 1.66% (2022 – 1.39%). Investments mature from January 19, 2024 to December 1, 2048 (2022 – January 27, 2023 to December 1, 2048).

According to the investment policy for the endowment fund adopted by Council, investment earnings are paid to the City at the lesser of 6.5% and the actual earnings of the endowment fund, provided that the market value of the fund is not reduced below the original \$200,000 investment. In 2023, \$6,000 (2022 – \$6,200) was distributed from the endowment fund to the City.

#### Financial risk management

The City's activities expose it to a range of financial risks from its financial instruments. These risks include credit risk, liquidity risk and market risk (including interest rate risk, currency risk and equity price risk).

##### a) Fair value measurement

Financial instruments measured at fair value are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurement:

Level 1: Financial assets are measured based on quoted prices in active markets for an identical asset.

Level 2: Financial assets and liabilities not quoted in active markets are measured based on discounted cash flow or other valuation methodologies making maximum use of directly or indirectly observable market data.

Level 3: Financial assets and liabilities not quoted in active markets are measured based on discounted cash flow analysis techniques or other valuation methodologies where significant inputs are not based on observable market data.

| <b>Investment assets</b>   | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b>     |
|----------------------------|----------------|----------------|----------------|------------------|
| Equities in Endowment Fund | \$124,664      | \$0            | \$0            | <b>\$124,664</b> |

## THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (dollars in thousands)

### 4. Investments and financial risk management (continued)

#### b) Credit risk

The investments are subject to indirect exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when they are due.

The following are the investments in interest-bearing financial instruments, and the exposure to credit risk.

| <b>Credit rating</b>       | <b>AAA</b> | <b>AA</b> | <b>A</b> | <b>BBB</b> | <b>B and under</b> | <b>Total</b>       |
|----------------------------|------------|-----------|----------|------------|--------------------|--------------------|
| As at December 31,<br>2023 | \$978,987  | \$452,231 | \$59,557 | \$0        | \$0                | <b>\$1,490,775</b> |

#### c) Liquidity risk

Liquidity risk is the risk that the City will not be able to meet its financial obligations as they become due. Management of liquidity risk seeks to ensure that even under adverse conditions, the City has access to immediate cash that is necessary to cover payables, withdrawals and other liabilities. The following is a maturity analysis of the investments.

| <b>Maturity</b>            | <b>&lt;1<br/>year</b> | <b>1-5<br/>years</b> | <b>5-10<br/>years</b> | <b>&gt;10<br/>years</b> | <b>Total</b>       |
|----------------------------|-----------------------|----------------------|-----------------------|-------------------------|--------------------|
| As at December 31,<br>2023 | \$451,650             | \$862,269            | \$140,117             | \$36,739                | <b>\$1,490,775</b> |

## THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (dollars in thousands)

### 4. Investments and financial risk management (continued)

#### d) Market risk

Market risk is the risk that changes in interest rates and other price risks will affect the City's net result of operations or the fair value of its holdings of financial instruments.

##### (i) Interest rate risk

The City holds interest-bearing financial instruments. The investment is therefore exposed to interest rate risk, as the value of interest-bearing financial instruments will fluctuate with changes in interest rates.

The following sensitivity analysis summarizes a 1% increase/decrease in interest rate on the fair value of the City's fixed income investment.

|  | <b><u>Increase (decrease) in fair value</u></b> |             |
|--|---|-------------|
|  | <b>Change in</b>                                | <b>2023</b> |
|  | <b>interest rate</b>                            |             |
| Interest-bearing financial instruments | -1%   | \$37,209    |
| Interest-bearing financial instruments | +1%   | (\$37,209)  |

##### (ii) Equity price risk

The City holds equity financial instruments in its Endowment Fund and is therefore exposed to equity price risk as the value of equity financial instruments will fluctuate due to changes in equity prices.

The following sensitivity analysis summarizes a 1% increase/decrease in price index change on the fair value of the equity financial instruments.

|          | <b><u>Increase (decrease) in fair value</u></b> |             |
|----------|---|-------------|
|          | <b>Change in</b>                                | <b>2023</b> |
|          | <b>price index</b>                              |             |
| Equities | +1%   | \$1,560     |
| Equities | -1%   | (\$1,560)   |

##### (iii) Currency risk

The City believes it is not subject to significant currency risk from its financial instruments as it holds insignificant amounts in foreign currencies.

## THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

### 4. Investments and financial risk management (continued)

#### e) Changes in financial risk exposures

The City's financial risks arising from its financial instruments have not changed significantly in the year. Management believes that its financial risks are appropriately mitigated and do not pose a significant risk to the City's operations. There have been no significant changes in the policies, procedures and methods used to manage these risks in the year.

### 5. Investment in government business enterprise

Investment (100% owned) in Hydro Ottawa

The following table provides condensed supplementary financial information for Hydro Ottawa under IFRS:

| <b>Assets (As at December 31)</b> | <b>2023</b>      | <b>2022</b>      |
|-----------------------------------|------------------|------------------|
| Current assets                    | \$230,042        | \$207,253        |
| Capital assets                    | 2,191,770        | 2,105,237        |
| Other assets                      | 188,818          | 171,514          |
| <b>Total assets</b>               | <b>2,610,630</b> | <b>2,484,004</b> |

| <b>Liabilities (As at December 31)</b> | <b>2023</b>      | <b>2022</b>      |
|--|------------------|------------------|
| Current liabilities                    | 567,443          | 480,211          |
| Other liabilities                      | 1,513,518        | 1,476,849        |
| <b>Total liabilities</b>               | <b>2,080,961</b> | <b>1,957,060</b> |
| <b>Net assets</b>                      | <b>\$529,669</b> | <b>\$526,944</b> |

| <b>Net assets consisting of investment in Hydro Ottawa (As at December 31)</b> | <b>2023</b>      | <b>2022</b>      |
|--|------------------|------------------|
| Common shares (100%)   | \$228,453        | \$228,453        |
| Retained earnings  | 297,601          | 293,497          |
| Accumulated other comprehensive income   | 3,615            | 4,994            |
| <b>Net assets</b>  | <b>\$529,669</b> | <b>\$526,944</b> |

| <b>Results of operations (For the year ended December 31)</b> | <b>2023</b>     | <b>2022</b>     |
|---|-----------------|-----------------|
| Total revenue   | \$1,194,425     | \$1,169,649     |
| Total expenses  | 1,170,321       | 1,129,975       |
| <b>Net income</b>   | <b>\$24,104</b> | <b>\$39,674</b> |

## THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

### 5. Investment in government business enterprise (continued)

The City, as holder of common shares in Hydro Ottawa, is entitled to receive dividends as declared by Hydro Ottawa's Board of Directors. Dividends in the amount of \$20,000 (2022 – \$23,700) were received in 2023 related to 2022 operations. Dividends totalling \$20,000 have been declared and are to be received in 2024 related to Hydro Ottawa's 2023 operations. During the year, the City purchased electricity from Hydro Ottawa at prices and terms approved by the Ontario Energy Board. In addition, the following transactions took place during the year:

| <b>Services purchased from Hydro Ottawa by the City</b> | <b>2023</b>    | <b>2022</b> |
|---|----------------|-------------|
| Energy management consulting                            | <b>\$4,203</b> | \$ 6,041    |
| Other services  | <b>19,216</b>  | 18,700      |

  

| <b>Fees paid to the City by Hydro Ottawa</b>     | <b>2023</b>    | <b>2022</b> |
|--|----------------|-------------|
| Property taxes, fuel, permits and other services | <b>\$4,448</b> | \$5,844     |

As at December 31, 2023, Hydro Ottawa's accounts receivable include \$16,725 (2022 – \$15,857) due in respect of the transactions above, while Hydro Ottawa's accounts payable and accrued liabilities include \$206 (2022 – \$259) due to the City and its subsidiaries.

### 6. Loan receivable

|                        | <b>2023</b>      | <b>2022</b> |
|------------------------|------------------|-------------|
| <b>Loan receivable</b> | <b>\$204,630</b> | \$212,012   |

In 2017, the City executed an Assignment and Assumption Agreement with the long-term lenders for Stage 1 of the light rail project. With this agreement, the long-term lenders transferred all their rights and obligations under the existing credit agreement with Project Co (borrower) to the City (assignee). The loan receivable was issued at an interest rate of 4.89% and matures on June 30, 2047. Loan repayments, consisting of principal and interest, are received on a quarterly basis. With each payment, the principal amount of the loan is reduced and the interest portion of the payment is recorded by the City as interest revenue.

## THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

### 6. Loan receivable (continued)

| <b>Principal payments</b> |                  |
|---------------------------|------------------|
| 2024                      | \$7,731          |
| 2025                      | 7,984            |
| 2026                      | 7,928            |
| 2027                      | 8,696            |
| 2028                      | 8,315            |
| 2029 and thereafter       | 163,976          |
| <b>Total</b>              | <b>\$204,630</b> |

In 2023, interest revenue of \$10,242 (2022 – \$10,593) on the loan receivable has been reflected as investment income on the consolidated statement of operations and accumulated surplus.

### 7. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities comprise the following:

|   | <b>2023</b>        | <b>2022</b> |
|---|--------------------|-------------|
| Trade payables and accruals                           | <b>\$1,490,158</b> | \$1,517,868 |
| Payroll accruals and deductions                       | <b>147,729</b>     | 144,292     |
| <b>Total accounts payable and accrued liabilities</b> | <b>\$1,637,887</b> | \$1,662,160 |

### 8. Deferred revenue

Deferred revenue, set aside for specific purposes by legislation, regulation or agreement, comprises the following.

|  | <b>2023</b>        | <b>2022</b>             |
|--|--------------------|-------------------------|
|  |                    | (Restated –<br>note 25) |
| Deferred revenue – Obligatory reserve funds: |                    |                         |
| Development charges                          | <b>\$805,613</b>   | \$794,366               |
| Building code                                | <b>25,664</b>      | 31,987                  |
| Cash in lieu of parkland                     | <b>97,567</b>      | 86,454                  |
| Federal gas tax transfers                    | <b>167,770</b>     | 120,305                 |
| Provincial gas tax transfers                 | <b>73</b>          | 95                      |
| Deferred revenue – Other:                    |                    |                         |
| Other government transfers                   | <b>197,003</b>     | 123,984                 |
| Other deferred revenue                       | <b>111,328</b>     | 110,488                 |
| <b>Total deferred revenue</b>                | <b>\$1,405,018</b> | \$1,267,679             |



## THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

### 9. Employee future benefits and pension agreements

Employee future benefits and pension agreements liabilities comprise the following:

|  | 2023             | 2022             |
|--|------------------|------------------|
| Employee future benefits   | \$753,452        | \$714,194        |
| City of Ottawa Superannuation Fund cost of living adjustment liability | 19,506           | 18,290           |
| <b>Total employee future benefits and pension agreements</b>           | <b>\$772,958</b> | <b>\$732,484</b> |

#### (a) Employee future benefits

Employee future benefit liabilities of the City as at December 31, 2023, with comparative information for 2022, are as follows:

|   | 2023             | 2022             |
|---|------------------|------------------|
| Post-retirement benefits                      | \$244,783        | \$245,281        |
| Post-employment benefits                      | 399,904          | 383,286          |
| Workplace Safety and Insurance Board ("WSIB") | 108,765          | 85,627           |
| <b>Total employee future benefits</b>         | <b>\$753,452</b> | <b>\$714,194</b> |

The defined benefit plans relating to post-retirement and post-employment provide a variety of benefits to retirees and active and long-term disabled employees, including income, medical, dental, and life insurance; workers' compensation; and sick leave benefits.

The City is a Schedule 2 employer under the *Workplace Safety and Insurance Act* and, as such, assumes full responsibility for financing its workplace safety insurance costs. The accrued obligation represents the present value of future benefits on existing claims.

The continuity for post-retirement, post-employment, and WSIB benefits for 2023 is as follows:

| <b>Employee future benefits continuity</b>                                  | <b>Post-retirement</b> | <b>Post-employment</b> | <b>WSIB</b>      | <b>Total</b>     |
|---|------------------------|------------------------|------------------|------------------|
| Balance, at the beginning of the year                                       | \$245,281              | \$383,286              | \$85,627         | \$714,194        |
| Current service costs/cost of new claims                                    | 7,016                  | 56,974                 | 33,287           | 97,277           |
| Interest cost   | 6,954                  | 14,314                 | 9,390            | 30,658           |
| Amortization of actuarial losses (gains)                                    | (5,454)                | (5,545)                | 13,608           | 2,609            |
| Prior period cost of plan amendment incurred in current year (Firefighters) | 0                      | 0                      | 14,339           | 14,339           |
| Benefits paid   | (9,014)                | (49,125)               | (47,486)         | (105,625)        |
| <b>Balance, at the end of the year</b>                                      | <b>\$244,783</b>       | <b>\$399,904</b>       | <b>\$108,765</b> | <b>\$753,452</b> |

## THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

### 9. Employee future benefits and pension agreements (continued)

#### (a) Employee future benefits

In 2023, WSIB expanded the list of presumptive cancers for firefighters and fire investigators to include thyroid and pancreatic cancers, retroactively to January 1, 1960. This resulted in a plan amendment of \$14,339 determined as at December 31, 2023.

Expenses for post-retirement and post-employment benefits and WSIB in the amount of \$144,883 (2022 – \$95,480) are recorded on the consolidated statement of operations and accumulated surplus.

The liability for post-retirement and post-employment benefits is calculated based on an estimate of future outlays required under contractual agreements with various City employee bargaining units. These estimates are based on a number of assumptions regarding the expected costs of benefits, which are dependent on the demographic makeup of the various groups, future interest rates, and inflation rates.

The liability for WSIB is calculated based on an estimate of future claims to be insured. This is based on a number of assumptions including future interest rates, inflation rates, and the history of claims with City employees. The City engages the services of an actuarial consulting firm to provide a determination of the City's obligation for post-retirement and post-employment benefits, as well as for WSIB benefits.

Due to the complexities in valuing the plans, actuarial valuations are conducted on a periodic basis. The liabilities for post-retirement and post-employment benefits reported in these consolidated financial statements are based on a valuation as of September 30, 2023 with an extrapolation to December 31, 2023. The liability for WSIB benefits reported in these consolidated financial statements is based on a valuation as of December 31, 2021 with an extrapolation to December 31, 2023.

Gains or losses are generated each year due to changes in assumptions and corrections or clarifications to the plan design previously provided by the City. These gains or losses are amortized over the expected average remaining service life of the related employee groups beginning in the year following the gain or loss. Amortization of the 2023 actuarial gain of \$8,638 (2022 – gain of \$85,205) for post-retirement and post-employment benefits will commence in fiscal 2024. Amortization of the 2023 actuarial loss of \$136,018 (2022 – loss of \$127,740) for WSIB will commence in fiscal 2024.

## THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

### 9. Employee future benefits and pension agreements (continued)

#### (a) Employee future benefits

The significant actuarial assumptions adopted in measuring the City's accrued benefit obligations and benefit cost for post-retirement, post-employment benefits and WSIB are as follows:

|  | Accrued Benefit<br>Obligation |       | Benefit Expense |       |
|--|-------------------------------|-------|-----------------|-------|
|  | 2023                          | 2022  | 2023            | 2022  |
| <b>Non-pension post employment/post retirement</b> |                               |       |                 |       |
| Discount rate                                      | 3.80%                         | 4.10% | 4.10%           | 2.20% |
| Initial weighted average health care trend rate    | 4.76%                         | 4.75% | 4.75%           | 4.68% |
| Ultimate weighted average health care trend rate   | 4.00%                         | 4.00% | 4.00%           | 4.00% |
| Year ultimate rate reached                         | 2040                          | 2040  | 2040            | 2040  |
| <b>WSIB</b>  |                               |       |                 |       |
| Discount rate                                      | 3.80%                         | 4.10% | 4.10%           | 2.20% |
| Inflation (CPI)                                    | 4.40%                         | 6.50% | 3.80%           | 2.00% |
| Health care  | 6.50%                         | 6.00% | 6.00%           | 4.00% |

An employee benefits reserve has been established to help reduce the future impact of employee future benefit obligations. As at December 31, 2023, the balance in the employee benefits reserve was \$89,719 (2022 – \$85,511) (see note 17).

#### (b) Pension agreements

##### (i) Ontario Municipal Employees' Retirement Fund

The City makes contributions to the Ontario Municipal Employees' Retirement System ("OMERS"), which is a multi-employer pension plan, on behalf of most of its employees.

The plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on length of service and rates of pay. The City's contribution to the OMERS plan for 2023 totalled \$142,249 (2022 – \$136,790) for current services and is included as an expense on the consolidated statement of operations and accumulated surplus. These contributions were matched with identical employee contributions for both years.

## THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

### 9. Employee future benefits and pension agreements (continued)

#### (b) Pension agreements (continued)

##### (i) Ontario Municipal Employees' Retirement Fund (continued)

As OMERS is a multi-employer pension plan, the City does not recognize in its consolidated financial statements any share of the pension plan deficit of \$7,571,000 (2022 deficit – \$6,100,000) as this is a joint responsibility of all Ontario municipalities and their employees.

The amount contributed for past service to OMERS for the year ended December 31, 2023 totalled \$916 (2022 – \$1,054) and is included as an expense on the consolidated statement of operations and accumulated surplus.

##### (ii) City of Ottawa Superannuation Fund

The City sponsors the City of Ottawa Superannuation Fund ("COSF"), a defined benefit plan that provides retirement benefits to employees based on length of service and rates of pay. With the introduction of OMERS, the COSF became a closed group in 1965. As at December 31, 2023, there were no active members and 394 pension recipients (2022 – 415 pension recipients). Pension payments during 2023 amounted to \$13,879 (2022 – \$14,619). No employee or matching employer contributions to this pension plan for current service were required in 2023 or 2022. Employer contributions for past service were nil in 2023 (2022 – nil).

## THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

### 9. Employee future benefits and pension agreements (continued)

#### (b) Pension agreements (continued)

##### (ii) City of Ottawa Superannuation Fund (continued)

The pension fund assets disclosed are based on a valuation method whereby the capital gains and losses on the assets are fully recognized in the year in which they are incurred. The reported accrued benefit liability (asset) is as follows:

| <b>City of Ottawa Superannuation Fund</b>    | <b>2023</b>      | <b>2022</b> |
|--|------------------|-------------|
| Pension fund assets – end of the year        | <b>\$112,908</b> | \$126,731   |
| Accrued benefit obligation – end of the year | <b>103,597</b>   | 108,089     |
| <b>Plan surplus</b>                          | <b>9,311</b>     | 18,642      |
| Unamortized actuarial gains (losses)         | <b>0</b>         | (1,381)     |
| Valuation allowance                          | <b>9,311</b>     | 20,023      |
| <b>Accrued benefit liability (asset)</b>     | <b>\$0</b>       | \$0         |

| <b>Expenses (income)</b>                       | <b>2023</b>     | <b>2022</b> |
|--|-----------------|-------------|
| Amortization of actuarial (gains) losses       | <b>\$11,626</b> | \$(12,870)  |
| Pension interest income                        | <b>(914)</b>    | (695)       |
| Change in valuation allowance                  | <b>(10,712)</b> | 13,565      |
| <b>Total pension-related expenses (income)</b> | <b>\$0</b>      | \$0         |

There is no remaining active employee service life in this plan.

The actuarial valuation performed for accounting purposes was based on a number of assumptions that are based on management's best estimates and are in accordance with accepted actuarial practice. The inflation rate was estimated at 2.10% (2022 – 3.00% per year for two years and 2.00% thereafter) and the discount rate for the plan was estimated at 4.75% per year (2022 – 4.90% per year).

The accrued benefit obligations and benefit cost levels will change in the future as a result of future changes in the actuarial methods and assumptions, the membership data, the plan provisions and the legislative rules, or as a result of true experience gains or losses.

## THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

### 9. Employee future benefits and pension agreements (continued)

#### (b) Pension agreements (continued)

##### (ii) City of Ottawa Superannuation Fund (continued)

The City pays for the indexation of COSF from 55% of inflation to 100% of inflation. This top-up to the cost of living adjustment is approved each year through the City's budget process. The estimated pension obligation if the indexation provided by the City stops after January 1, 2024 is \$19,506 (January 1, 2023 - \$18,290). This amount is included in the total employee future benefits and pension agreements liabilities on the consolidated statement of financial position.

Emerging experience, differing from the assumptions, will result in gains or losses that will be included in future accounting valuations.

The last filed actuarial valuation for funding purposes dated December 31, 2021 quantified a surplus of \$13,656 on a going concern basis.

The market value of the assets of the plan as at December 31, 2023 amounted to \$108,852 (2022 – \$115,210).

A full valuation allowance on the plan surplus has been recorded as it is uncertain that the City will have the unconditional right to benefit from the surplus at the time of windup of the pension plan.

##### (iii) Ottawa-Carleton Regional Transit Commission Employees' Pension Plan

The City sponsors the Ottawa-Carleton Regional Transit Commission ("OC Transpo") Employees' Pension Plan, a defined benefit plan that provides retirement benefits to employees based on length of service and rates of pay. Effective January 1, 1999, OC Transpo adopted the OMERS pension plan for all employees and new hires to accrue future benefits. Members retiring with both pre-1999 and post-1998 service will receive pension incomes under both plans. Net pension payments during 2023 amounted to \$34,059 (2022 – \$33,570). No employee or matching employer contributions to this pension plan for current service were required in 2023 or 2022. Employer contributions for past service were nil in 2023 (2022 – nil).

## THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

### 9. Employee future benefits and pension agreements (continued)

#### (b) Pension agreements (continued)

##### (iii) Ottawa-Carleton Regional Transit Commission Employees' Pension Plan (continued)

The pension fund assets disclosed are based on a valuation method whereby the capital gains and losses on the assets are partially recognized in the year in which they are incurred, and the remainder are recognized in the following two years. The reported pension asset is as follows:

| <b>OC Transpo Employees' Pension Plan</b>    | <b>2023</b>      | <b>2022</b> |
|--|------------------|-------------|
| Pension fund assets – end of the year        | <b>\$621,868</b> | \$633,027   |
| Accrued benefit obligation – end of the year | <b>479,548</b>   | 491,949     |
| <b>Plan surplus</b>                          | <b>142,320</b>   | 141,078     |
| Unamortized actuarial gains                  | <b>5,186</b>     | 18,038      |
| Valuation allowance                          | <b>137,134</b>   | 123,040     |
| <b>Reported pension asset</b>                | <b>\$0</b>       | \$0         |

| <b>Expenses (income)</b>                       | <b>2023</b>      | <b>2022</b> |
|--|------------------|-------------|
| Amortization of actuarial gains                | <b>\$(6,264)</b> | \$(15,458)  |
| Pension interest income                        | <b>(7,830)</b>   | (7,244)     |
| Change in valuation allowance                  | <b>14,094</b>    | 22,702      |
| <b>Total pension-related expenses (income)</b> | <b>\$0</b>       | \$0         |

The expected average remaining active employee service life of this plan is three years.

The market value of the assets of the plan as at December 31, 2023 amounted to \$606,228 (2022 – \$575,479).

The actuarial valuation performed for accounting purposes was based on a number of assumptions that are based on management's best estimates and are in accordance with accepted actuarial practice. The inflation rate was estimated at 2.10% (2022 – 3.00% per year for two years and 2.00% thereafter), the discount rate for the plan was estimated at 5.70% per year (2022 – 5.55% per year), and long-term salary forecasts for actuarial purposes were estimated at 2.25% for 2024 and 3.00% thereafter (2022 – 2.25% per year for 2023 and 2024 and 3.00% thereafter).

The accrued benefit obligations and benefits cost levels will change in the future as a result of future changes in the actuarial methods and assumptions, the membership data, the plan provisions and the legislative rules, or as a result of true experience gains or losses.

## THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

### 9. Employee future benefits and pension agreements (continued)

#### (b) Pension agreements (continued)

##### (iii) Ottawa-Carleton Regional Transit Commission Employees' Pension Plan (continued)

Emerging experience, differing from the assumptions, will result in gains or losses that will be included in future accounting valuations.

The last filed actuarial valuation for funding purposes dated January 1, 2022 quantified a solvency surplus of \$56,866. In 2023, the City contributed an amount of nil (2022 – nil) to the plan. With a surplus in the plan, no solvency special payments were required in 2023, and the City was able to reduce the total amount outstanding under the letter of credit by \$13,075 for 2023, bringing the balance down to nil (from \$13,075 in 2022) as allowed under the applicable legislation.

A full valuation allowance on the plan surplus has been recorded as it is uncertain that the City will have the unconditional right to benefit from the surplus at the time of windup of the pension plan.

### 10. Asset retirement obligations

The City's liabilities with respect to its asset retirement obligations ("ARO") are as follows:

| <b>Asset retirement obligations</b>              | <b>2023</b>   | <b>2022</b>             |
|--|---------------|-------------------------|
|  |               | (Restated<br>– note 25) |
| Buildings  | <b>44,582</b> | 44,161                  |
| Landfills  | <b>29,832</b> | 28,565                  |
| Other  | <b>1,785</b>  | 1,833                   |
| <b>Total</b>                                     | <b>76,199</b> | 74,559                  |
| <b>Asset retirement obligations – continuity</b> | <b>2023</b>   | <b>2022</b>             |
| Opening balance                                  | <b>74,559</b> | 73,346                  |
| Changes in estimates                             | <b>1,688</b>  | 1,213                   |
| Remediation                                      | <b>(48)</b>   | 0                       |
| <b>Total</b>                                     | <b>76,199</b> | 74,559                  |



## THE CITY OF OTTAWA

Notes to the consolidated financial statements  
December 31, 2023 (*dollars in thousands*)

### 11. Contaminated sites

Due to the implementation of PS 3280, it was determined that the liabilities related to inactive landfill sites would now fall under the contaminated sites liability.

#### Contaminated sites

Contaminated sites are a result of a contamination being introduced in air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceeds an environment standard. The liability relates to sites that are not in productive use and for which the City is responsible or has accepted responsibility for remediation, future economic benefits will be given up, and costs can be reasonably estimated.

Liabilities are recorded for the estimated costs related to the management and remediation of contaminated sites where the City is likely to be obligated to incur costs. The liability estimate includes costs that are directly attributable to remediation activities and reflects the costs required to bring the site up to the current environmental standard for its use prior to contamination. The assumptions used in estimating the liability include a unique assessment of the depth of soil to be removed and disposed of for each property as well as excavation, trucking and backfilling soft costs.

The City recognized an estimated liability of \$7,330 (2022 – \$6,769) for remediation of 34 (2022 – 34) contaminated land sites based on the estimated costs of removal and replacement of contaminated soil.

#### Inactive landfill sites

The City has identified 44 inactive or closed landfill sites. Of the total, 15 sites require ongoing monitoring over the post-closure period of 25 years. Post-closure care activities for landfill sites will involve surface and groundwater monitoring, maintenance of drainage structures, monitoring leachate and landfill gas, and maintenance of the landfill cover.

The estimated liability for the inactive or closed landfill sites is based on future expenses, adjusted for inflation based on the Consumer Price Index 3-year average rate of 3.68% (2022 – 4.10%) and discounted to current dollars using the City's average long-term borrowing rate of 4.43% (2022 – 4.23%). The estimated present value of future expenditures for post-closure care for inactive sites as at December 31, 2023 is \$11,813 (2022 – \$14,562).

**THE CITY OF OTTAWA**

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)**11. Contaminated sites (continued)**

|                             | <b>2023</b>     | <b>2022</b>                        |
|-----------------------------|-----------------|------------------------------------|
| Existing contaminated sites | <b>\$7,330</b>  | (Restated<br>– note 25)<br>\$6,769 |
| Inactive landfill sites     | <b>11,813</b>   | 14,562                             |
| <b>Total</b>                | <b>\$19,143</b> | \$21,331                           |

## THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

### 12. Net long-term debt

- (a) Net long-term debt reported on the consolidated statement of financial position comprises the following:

|  | 2023               | 2022        |
|--|--------------------|-------------|
| Installment and sinking fund debentures issued at various rates of interest ranging from 0.00% to 6.00%, and maturing from 2024 to 2053            | <b>\$3,128,630</b> | \$2,943,734 |
| Stage 1 light rail private debt, including credit assignment and assumption agreement offset by loan receivable                                    | <b>487,199</b>     | 499,210     |
| Bank loan agreements and interest rate exchange agreements   | <b>14,332</b>      | 17,233      |
| Total value of sinking fund deposits, which have accumulated to the end of the year to retire sinking fund debentures included in the above amount | <b>(324,612)</b>   | (248,595)   |
| <b>Total</b>   | <b>\$3,305,549</b> | \$3,211,582 |

- (b) Principal payments in future years, based upon settlement date, net of interest to be earned on sinking funds, are as follows:

|                     |                    |
|---------------------|--------------------|
| 2024                | <b>\$145,714</b>   |
| 2025                | <b>145,631</b>     |
| 2026                | <b>133,163</b>     |
| 2027                | <b>115,796</b>     |
| 2028                | <b>100,586</b>     |
| 2029 and thereafter | <b>1,636,784</b>   |
| <b>Total</b>        | <b>\$2,277,674</b> |

Principal payments will be funded from tax and rate-supported operations. It is estimated that interest to be earned by the sinking fund will amount to approximately \$988,036, which together with the amount of \$2,277,674 shown above, and net unamortized debt premium/ discount of \$39,839 will be used to retire the outstanding total debt of \$3,305,549.

## THE CITY OF OTTAWA

Notes to the consolidated financial statements  
December 31, 2023 (*dollars in thousands*)

### 12. Net long-term debt (continued)

The City has entered into interest rate swap agreements to manage the volatility of interest rates. The City converted notional floating rate debt totalling \$14,332 (2022 – \$17,233) to fixed rate debt with interest rates ranging from 1.705% to 5.92%. The related derivative agreements are in place until the maturity of the debts in 2025 and 2031.

These interest rate swaps qualify, and have been designated by the City as cash flow hedging items against the floating rate long-term debt. If the interest rate swaps were cancelled as at December 31, 2023, the City would receive the market value of \$751 (2022 – \$1,062).

The City has entered into bank swap agreements to improve budget certainty for commodity costs. As at December 31, 2023, the City had set bank swaps in place to hedge 40,800,000 litres (2022 – 30,000,000 litres) of diesel fuel for the 2024 and 2025 calendar years with expiry dates ranging from January 2024 to December 2025 (2022 – June 2023 to January 2024). These swaps were not measured at fair value because the quantities of the fuel purchases are in accordance with the City's expected usage requirements. If the commodity swaps were cancelled as at December 31, 2023, the City would pay the swap counterparty the market value of \$2,561 (2022 – City would receive the market value of \$4,276).

- (c) As part of the public-private partnership arrangement, the Rideau Transit Group ("RTG") had obtained \$225,000 of debt financing and \$75,000 of equity financing to pay for the construction of the light rail project. At the revenue service availability date, the City started to repay the total of \$300,000 to RTG as part of the capital annual service payments and substantial completion payments over the life of the light rail. This long-term debt is at an interest rate of 6.47% and will mature on May 24, 2048.

## THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

### 12. Net long term debt (continued)

- (d) In 2017, the City executed an Assignment and Assumption Agreement with the long-term lenders for Stage 1 of the light rail project. With this agreement, the long-term lenders transferred all their rights and obligations under the existing credit agreement with Project Co (borrower) to the City (assignee), and in exchange, the City issued debentures in the equivalent principal amount with the equivalent repayment profile and interest rate to the long-term lenders. The debentures issued by the City were at an interest rate of 4.89% and mature on June 30, 2047.

Principal payments in future years for the combined amount of Stage 1 light rail debt, including the assignment and assumption agreement noted above, are as follows:

|                     |                  |
|---------------------|------------------|
| 2024                | \$12,647         |
| 2025                | 13,271           |
| 2026                | 13,548           |
| 2027                | 14,684           |
| 2028                | 14,655           |
| 2029 and thereafter | 418,394          |
| <b>Total</b>        | <b>\$487,199</b> |

## THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (dollars in thousands)

### 13. Mortgages payable

|  | 2023             | 2022      |
|--|------------------|-----------|
| Mortgages payable on housing properties at various rates ranging from 1.70% to 6.75% guaranteed by the Canada Mortgage and Housing Corporation with maturity dates ranging from 2024 to 2073 and debentures payable to Infrastructure Ontario maturing from 2036 to 2053 with interest rates ranging from 2.71% to 4.96% | <b>\$391,230</b> | \$313,877 |
| <b>Total</b>   | <b>\$391,230</b> | \$313,877 |

- (a) Public housing debentures issued by Canada Mortgage and Housing Corporation in the amount of \$762 (2022 – \$1,409) related to OCHC have not been included in these consolidated financial statements as they are the responsibility of the Province.

Mortgages and forgivable loans on housing properties are governed by operating agreements with the Province and/or Canada Mortgage and Housing Corporation and involve no direct or indirect obligation to the City. With respect to the debenture payable to Infrastructure Ontario of \$246,437 (2022 – \$239,425), per OCHC's direction, the City has transferred directly to Infrastructure Ontario amounts equivalent to the annual principal and interest payments owing on the debentures of \$15,472 (2022 – \$15,472). These payments form part of the annual subsidy provided by the City to OCHC, which is calculated based on OCHC's annual information return.

In 2023, two OCHC properties were refinanced after detailed appraisals were conducted. The revised appraisals allowed OCHC to borrow additional funds while maintaining the same annual payments on the debt for the refinanced properties, providing \$13,481 of funding to be utilized for future capital repairs.

- (b) Principal repayments in future years are as follows:

|                     |                  |
|---------------------|------------------|
| 2024                | <b>\$11,214</b>  |
| 2025                | <b>11,767</b>    |
| 2026                | <b>12,235</b>    |
| 2027                | <b>12,469</b>    |
| 2028                | <b>11,229</b>    |
| 2029 and thereafter | <b>332,316</b>   |
| <b>Total</b>        | <b>\$391,230</b> |

The principal payments in 2023 totalled \$10,646.

## THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

### 14. Other liabilities

Other liabilities comprise the following:

|                                | <b>2023</b>     | <b>2022</b> |
|--------------------------------|-----------------|-------------|
| Brownfields                    | <b>\$60,092</b> | \$58,902    |
| <b>Total other liabilities</b> | <b>\$60,092</b> | \$58,902    |

#### Brownfields

Brownfields are abandoned, vacant or underutilized properties where past actions have resulted in actual or perceived environmental contamination and/or derelict or deteriorated buildings. They are usually, but not exclusively, former industrial or commercial properties.

The Ottawa Brownfields Community Improvement Program is a framework that promotes brownfield development within the City. The program contains financial incentives that encourage the remediation, rehabilitation and adaptive reuse of brownfield properties in Ottawa. The brownfields program is a grant equivalent to 100% of the incremental municipal property tax increase for up to 10 years based on a percentage of eligible costs. The applicants will initially pay for the entire cost of rehabilitation. When the City receives the incremental property taxes that result from the rehabilitation project, the City will reimburse the applicant in the form of an annual grant based on the executed legal agreement and the parameters of the applicable program.

The liability of brownfields is estimated by calculating the present value stream of the relevant incremental property tax for up to 10 years for each property site. The incremental tax is the difference between the projected property tax and the current property tax for each property site.

The estimated present value of future expenditures for brownfields as at December 31, 2023 is \$60,092 (2022 – \$58,902). Estimated total undiscounted expenses for brownfields amount to approximately \$69,000 (2022 – \$67,981).

| <b>Estimated brownfield payments</b> |                 |
|--------------------------------------|-----------------|
| 2024                                 | <b>\$1,654</b>  |
| 2025                                 | <b>6,504</b>    |
| 2026                                 | <b>8,345</b>    |
| 2027                                 | <b>6,027</b>    |
| 2028                                 | <b>5,787</b>    |
| 2029 and thereafter                  | <b>31,775</b>   |
| <b>Total</b>                         | <b>\$60,092</b> |

## THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

### 15. Capital lease obligations

The City leases the following facilities as detailed below:

| <b>Capital lease obligations</b> | <b>Office building</b> | <b>Paramedic services building</b> | <b>Shenkman Arts Centre</b> |
|----------------------------------|------------------------|------------------------------------|-----------------------------|
| Total lease term                 | 24 years               | 30 years                           | 30 years                    |
| Lease term end date              | February 2026          | December 2035                      | January 2039                |
| Interest rate                    | 6.00%                  | 5.79%                              | 4.99%                       |
| Purchase option                  | \$10,000               | nil                                | nil                         |

Future minimum payments for the above capital leases are as follows:

| <b>Future payments</b> | <b>Office building</b> |                 | <b>Paramedic services building</b> |                 | <b>Shenkman Arts Centre</b> |                 | <b>Total</b>     |                 |
|------------------------|------------------------|-----------------|------------------------------------|-----------------|-----------------------------|-----------------|------------------|-----------------|
|                        | <b>Principal</b>       | <b>Interest</b> | <b>Principal</b>                   | <b>Interest</b> | <b>Principal</b>            | <b>Interest</b> | <b>Principal</b> | <b>Interest</b> |
| 2024                   | 5,353                  | 947             | 858                                | 724             | 1,161                       | 1,433           | 7,372            | 3,104           |
| 2025                   | 5,674                  | 625             | 906                                | 675             | 1,280                       | 1,372           | 7,860            | 2,672           |
| 2026                   | 11,050                 | 0               | 956                                | 622             | 1,502                       | 1,304           | 13,508           | 1,926           |
| 2027                   | 0                      | 0               | 1,010                              | 567             | 1,683                       | 1,224           | 2,693            | 1,791           |
| 2028                   | 0                      | 0               | 1,066                              | 509             | 1,840                       | 1,138           | 2,906            | 1,647           |
| Thereafter             | 0                      | 0               | 9,289                              | 1,643           | 21,802                      | 5,708           | 31,091           | 7,351           |
| <b>Total</b>           | <b>\$22,077</b>        | <b>\$1,572</b>  | <b>\$14,085</b>                    | <b>\$4,740</b>  | <b>\$29,268</b>             | <b>\$12,179</b> | <b>\$65,430</b>  | <b>\$18,491</b> |

The \$11,050 of principal repayments for the office building in 2026 includes the \$10,000 purchase option.



## THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (dollars in thousands)

### 16. Tangible capital assets

| Cost                        | Buildings and improvements | Infrastructure   |                         |                  | Land             | Land improvements |
|-----------------------------|----------------------------|------------------|-------------------------|------------------|------------------|-------------------|
|                             |                            | Linear roads     | Linear water/wastewater | LRT              |                  |                   |
| Balance, beginning of year  | \$2,431,481                | \$4,698,245      | \$7,819,481             | \$1,708,321      | \$2,981,398      | \$791,316         |
| Additions                   | 107,832                    | 338,925          | 525,637                 | 0                | 46,955           | 53,384            |
| Disposals                   | (134)                      | (19,176)         | (14,281)                | 0                | (243)            | (4,143)           |
| <b>Balance, end of year</b> | <b>2,539,179</b>           | <b>5,017,994</b> | <b>8,330,837</b>        | <b>1,708,321</b> | <b>3,028,110</b> | <b>840,557</b>    |

| Accumulated amortization           | Buildings and improvements | Infrastructure     |                         |                    | Land               | Land improvements |
|------------------------------------|----------------------------|--------------------|-------------------------|--------------------|--------------------|-------------------|
|                                    |                            | Linear roads       | Linear water/wastewater | LRT                |                    |                   |
| Balance, beginning of year         |                            |                    |                         |                    |                    |                   |
| Disposals                          | (134)                      | (16,967)           | (5,979)                 | 0                  | 0                  | (3,364)           |
| Amortization expense               | 44,396                     | 101,856            | 92,515                  | 29,002             | 0                  | 16,782            |
| <b>Balance, end of year</b>        | <b>1,192,131</b>           | <b>2,012,443</b>   | <b>1,898,773</b>        | <b>125,347</b>     | <b>0</b>           | <b>339,672</b>    |
| <b>Net book value, end of year</b> | <b>\$1,347,048</b>         | <b>\$3,005,551</b> | <b>\$6,432,064</b>      | <b>\$1,582,974</b> | <b>\$3,028,110</b> | <b>\$500,885</b>  |

## THE CITY OF OTTAWA

Notes to the consolidated financial statements  
December 31, 2023 (dollars in thousands)

### 16. Tangible capital assets (continued)

| <b>Cost</b>                 | <b>Machinery,<br/>plant and<br/>equipment</b> | <b>Vehicles</b>  | <b>Assets under<br/>construction</b> | <b>Total 2023</b>   | <b>Total 2022<br/>(restated -<br/>note 25)</b> |
|-----------------------------|---|------------------|--------------------------------------|---------------------|--|
| Balance, beginning of year  | \$1,877,937                                   | \$1,610,647      | \$3,748,418                          | <b>\$27,667,244</b> | \$26,032,278                                   |
| Additions                   | 63,011  | 71,022           | 562,479                              | <b>1,769,245</b>    | 1,688,570                                      |
| Disposals                   | (5,477)                                       | (20,030)         | (10,614)                             | <b>(74,098)</b>     | (53,604)                                       |
| <b>Balance, end of year</b> | <b>1,935,471</b>                              | <b>1,661,639</b> | <b>4,300,283</b>                     | <b>29,362,391</b>   | 27,667,244                                     |

| <b>Accumulated<br/>amortization</b> | <b>Machinery,<br/>plant and<br/>equipment</b> | <b>Vehicles</b>  | <b>Assets under<br/>construction</b> | <b>Total 2023</b> | <b>Total 2022<br/>(restated -<br/>note 25)</b> |
|-------------------------------------|---|------------------|--------------------------------------|-------------------|--|
| Balance, beginning of year          | 787,771                                       | 650,432          | 0                                    | <b>6,748,462</b>  | 6,380,471                                      |
| Disposals                           | (4,799)                                       | (17,415)         | 0                                    | <b>(48,658)</b>   | (33,023)                                       |
| Amortization expense                | 45,642  | 81,776           | 0                                    | <b>411,969</b>    | 401,015  |
| <b>Balance, end of year</b>         | <b>828,614</b>                                | <b>714,793</b>   | <b>0</b>                             | <b>7,111,773</b>  | 6,748,463                                      |
| <b>Net book value, end of year</b>  | <b>\$1,106,857</b>                            | <b>\$946,846</b> | <b>\$4,300,283</b>                   | <b>22,250,618</b> | \$20,918,781                                   |

#### Assets under construction

During 2023, the City acquired \$1,769,245 (2022 – \$1,688,570) of assets under construction. As assets were placed into service, transfers in the amount of \$1,206,766 (2022 – \$860,552) were made from assets under construction to the respective asset classes to arrive at a net balance of \$562,479 (2022 – \$828,018) disclosed above.

#### Works of art and historical treasures

Council approved a Public Art Program (“PAP”) in 1985 to maintain and circulate the City’s corporate art collection. The City’s PAP collection includes over 1,700 works of art. The City also owns the Firestone Art Collection, consisting of 1,605 historical Canadian works of art produced from 1900 to 1980, which is housed and managed by the Ottawa Art Gallery. Works of art are not recorded in the City’s consolidated financial statements.

## THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

### 16. Tangible capital assets (continued)

#### Contributed tangible capital assets

The value of contributed tangible capital assets received during 2023 amounts to \$488,087 (2022 – \$469,303) and is included in additions disclosed above.

### 17. Accumulated surplus

Accumulated surplus consists of individual fund surpluses, reserves, and equity in government business enterprise (“GBE”).

| <b>Accumulated surplus comprises the following:</b> | <b>2023</b>         | <b>2022</b>             |
|---|---------------------|-------------------------|
|   |                     | (Restated –<br>note 25) |
| Invested in tangible capital assets                 | <b>\$18,712,107</b> | \$17,509,168            |
| Capital fund – unfinanced capital outlay            | <b>80,966</b>       | 277,921                 |
| Endowment fund                                      | <b>198,470</b>      | 153,751                 |
| Employee future benefits and pension agreements     | <b>(772,958)</b>    | (732,484)               |
| Asset retirement obligation liabilities             | <b>(76,199)</b>     | (74,559)                |
| Brownfields   | <b>(60,092)</b>     | (58,902)                |
| Contaminated sites                                  | <b>(19,143)</b>     | (21,331)                |
| Other   | <b>(95,009)</b>     | (105,484)               |
| <b>Total before reserves and equity in GBE</b>      | <b>17,968,142</b>   | 16,948,080              |
| <b>Discretionary reserves</b>                       |                     |                         |
| Environmental services                              | <b>131,939</b>      | 177,919                 |
| Transit   | <b>6,303</b>        | 39,586                  |
| Housing   | <b>84,708</b>       | 103,619                 |
| Employee benefits                                   | <b>89,719</b>       | 85,511                  |
| Tax stabilization                                   | <b>98,942</b>       | 72,518                  |
| Parking   | <b>20,073</b>       | 19,838                  |
| City wide   | <b>47,481</b>       | 99,400                  |
| Corporate fleet                                     | <b>(724)</b>        | 3                       |
| Other   | <b>23,926</b>       | 23,077                  |
| Total discretionary reserves                        | <b>502,367</b>      | 621,471                 |
| <b>Equity in GBE (note 5)</b>                       | <b>529,669</b>      | 526,944                 |
| <b>Accumulated surplus</b>                          | <b>\$19,000,178</b> | \$18,096,495            |
| Accumulated surplus is comprised of:                |                     |                         |
| Accumulated surplus - operations                    | <b>\$18,961,351</b> | \$18,096,495            |
| Accumulated remeasurement gains                     | <b>38,827</b>       | –                       |
|   | <b>\$19,000,178</b> | \$18,096,495            |

## THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

### 18. Contingencies, commitments and contractual rights

- (a) Through the course of its normal operations, the City becomes involved in various claims and legal proceedings. Litigation is subject to many uncertainties and the outcome of individual matters is difficult to predict. A provision for these claims has been recorded in the consolidated financial statements based on management's best estimate, based upon an analysis of specific claims and historical experience with similar claims. Any amendment to amounts accrued will be recorded once new information becomes available. Where the potential liability is determinable, management believes that the ultimate disposition of the matters will not materially exceed the amounts recorded in the accounts. If the outcome of a claim is undeterminable, then no liability accrual is recorded, and any additional losses related to these undeterminable claims will be recorded in the period during which the liability becomes determinable. Amounts recorded in the accounts have not been separately disclosed in the consolidated financial statements as disclosure may adversely impact the outcome.
- (b) The City has the following future contractual obligations for capital works:

|                     |             |
|---------------------|-------------|
| 2024                | \$1,583,565 |
| 2025                | 251,092     |
| 2026                | 132,206     |
| 2027                | 49,349      |
| 2028                | 63          |
| 2029 and thereafter | 347         |

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- (c) The City is committed to the following future payments under operating lease agreements for buildings and equipment:

|                     |          |
|---------------------|----------|
| 2024                | \$21,023 |
| 2025                | 15,802   |
| 2026                | 12,500   |
| 2027                | 8,672    |
| 2028                | 6,014    |
| 2029 and thereafter | 24,426   |

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## THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

### 18. Contingencies, commitments and contractual rights (continued)

- (d) On August 30, 2019, Stage 1 of the O-Train Confederation Line achieved Revenue Service Availability (“RSA”) and the maintenance contract became effective on that date. The City has committed to making a series of monthly service payments during the 28-year maintenance and service term ending May 2048. Commitments for Monthly Service Payments (“MSP”) for capital construction costs deferred beyond the construction period, as well as for maintenance costs associated with the light rail system and vehicles, began on the RSA date. Annual payments will be adjusted as service levels change, and a portion will be adjusted for inflation, in accordance with the project agreement. The City has also committed to a series of payments for life-cycle costs, and for maintenance costs that will vary with service kilometres.
- (e) As at December 31, 2023, Hydro Ottawa had total open commitments amounting to \$167,673 for the period from 2024 to 2030. The commitments relate to a call centre services agreement, distribution-related construction projects, overhead and underground services, and other services related to Hydro Ottawa’s operations.
- (f) The City has commitments for the purchase of ice rental time for annual amounts of \$956, \$6,202 and \$15,234, which are paid in two installments in accordance with three public-private partnership agreements. These commitments are set to expire in 2027, 2034 and 2043, respectively.
- (g) The City has entered into guarantees of loans amounting to \$132,720 arranged to provide financing for the development of ice rinks, the construction of a paramedic headquarters facility, the development of an arts centre, and Lansdowne Park roof replacement under public-private partnerships. The City’s guarantees for ice rinks, the paramedic facility and Lansdowne roof replacement also cover the borrowers’ obligations under interest rate derivative agreements to manage the volatility of interest rates. The total amount outstanding under guarantees as of December 31, 2023 is \$99,446. The City has converted floating rate debt in the amount of \$98,830 for fixed rate debt ranging from 2.849% to 6.49% on four guarantees. The related derivative agreements are in place until the maturity of the debts in 2044. The City’s guarantee of the loan in connection with the arts centre facility does not involve interest rate derivative agreements since the loans are on a fixed interest rate basis.
- (h) On June 28, 2010, Council authorized a payment covenant guarantee that may require the City to make annual payments of up to \$1,463 in respect of a loan in the amount of \$20,700 for the construction and operation of a trade and exhibition centre. The covenant agreement was signed by the City on April 15, 2011 and expires on April 15, 2041. No payments have been made on this guarantee in 2023 (2022 – nil).

## THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

### 18. Contingencies, commitments and contractual rights (continued)

- (i) On October 12, 2012, the City entered into an agreement with Ottawa Sports and Entertainment Group (“OSEG”) to revitalize Lansdowne Park. The Master Limited Partnership agreement was established to manage the construction and future net positive cash flows that will be distributed based on a waterfall of priorities as set out in the agreement. The net positive cash flows will be distributed with priority to life-cycle reserves, then OSEG Partners return on and of contributed equity, and then to the City for return on deemed equity, with any remaining cash balances to be evenly split between the City and OSEG. In 2020, Council approved a ten-year extension to the agreement to December 31, 2054.
- (j) In 2017, Council and the Ottawa Public Library Board approved the City partnering with Library and Archives Canada to build a new joint facility that brings together the creative services of a public library and the public services of a national library and archives. The final design plans of the joint facility were approved in April 2021 and the City’s Supply Services branch, in May 2021, released the tender for the construction of the joint facility. As at the end of 2023, construction of the new facility was ongoing. Construction is planned to continue until late 2025, with the official opening taking place in 2026. The Library and Archives Canada portion of the building is funded by the federal government. For the City’s portion of the building, capital costs incurred up to December 31, 2023 were \$90,654. Future commitments for the City portion of the building amount to \$103,950 for 2024 to 2026 inclusive.
- (k) On August 10, 2022, the City entered into a credit agreement with the Canada Infrastructure Bank of up to \$380,000 in order to finance the Zero Emission Buses (“ZEB”) Program. The credit facility bears 1% interest per annum, and it is to be repaid over the useful life of the ZEBs (15 years) commencing one year following the first operation of the ZEBs. The first ZEBs are expected to go into service in the fall of 2024. As of December 31, 2023, the City has borrowed \$1,693 related to this credit agreement.

## THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

### 18. Contingencies, commitments and contractual rights (continued)

- (l) In March 2019, the City entered into agreements with private partners for the two extensions of the Stage 2 LRT Projects: Trillium Line Extension (“TLE”) and Confederation Line Extension (“CLE”). The CLE project further consists of two phases, the extension of the LRT line to the east (“CLE East”), and the extension of the line to the west (“CLE West”). The TLE extension project is being delivered as a design, build, finance and maintain project, while the CLE extensions are being delivered as a design, build, and finance project, and the maintenance component of the extended line will be delivered by the current contractor for the existing Confederation Line.

For the TLE extension, the City has outstanding commitments totalling \$30,484 related to the ongoing construction costs. Upon substantial completion, the City must repay \$25,918 related to the construction costs that were funded by the private partner and \$136,126 plus interest will be paid over the 27-year maintenance period. During the maintenance period, the City is also committed to a series of monthly payments to cover the maintenance and life-cycle requirements, as well as insurance, administrative, and legal/accounting costs.

For the CLE extension, the City has outstanding commitments totalling \$679,885 related to the ongoing construction costs. Upon substantial completion of the CLE East extension, the City must repay \$80,000 related to the construction costs that were funded by the private partner. Upon substantial completion of the CLE West extension, the City must repay \$176,446 related to the construction costs that were funded by the private partner. During the combined 30-year maintenance term, the City is also committed to a series of payments to cover the maintenance and life-cycle requirements for the combined Stage 1 and Stage 2, as well as insurance, administrative and legal/accounting costs.

- (m) Contractual rights are rights to economic resources arising from contracts or agreements that will result in revenues and assets in the future. The City’s contractual rights arise out of contracts entered into for long-term property leases and rental arrangements where the City is the lessor. Contractual rights are not recognized in the consolidated financial statements until revenues or assets are received. The estimated amount of contractual rights is \$13,163 assuming no lease renewals or counterparty default.

## THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

### 19. Taxes available for municipal purposes

|   | <b>2023</b>        | <b>2022</b>        |
|---|--------------------|--------------------|
| Property taxes                                      | <b>\$2,495,047</b> | \$2,384,994        |
| Payment in lieu of taxes                            | <b>211,998</b>     | 168,400            |
| Local improvements and other charges                | <b>26,307</b>      | 23,629             |
| Less: education taxes                               | <b>(450,419)</b>   | (439,806)          |
| <b>Total taxes available for municipal purposes</b> | <b>\$2,282,933</b> | <b>\$2,137,217</b> |

### 20. Expenses by object

The consolidated statement of operations and accumulated surplus represents the expenses by function; the following classifies those same expenses by object:

|   | <b>2023</b>        | <b>2022</b>        |
|---|--------------------|--------------------|
| Salaries, wages and employee benefits   | <b>\$2,053,816</b> | \$1,951,824        |
| Contracted and general services         | <b>500,274</b>     | 490,301            |
| Materials, equipment and supplies       | <b>669,777</b>     | 665,117            |
| Interest charges                        | <b>146,856</b>     | 145,220            |
| Rent and financial expenses             | <b>88,693</b>      | 90,063             |
| External transfers                      | <b>721,994</b>     | 624,564            |
| Interfunctional                         | <b>(40,723)</b>    | (40,039)           |
| Amortization of tangible capital assets | <b>411,968</b>     | 401,015            |
| Loss on disposal                        | <b>23,182</b>      | 19,147             |
| <b>Total expenses</b>                   | <b>\$4,575,837</b> | <b>\$4,347,212</b> |



## THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

### 21. Segmented information

#### Consolidated schedule of segment disclosure

For the year ended December 31, 2023

| <b>REVENUE</b>                      | General<br>Government | Protection         | Roads,<br>Traffic and<br>Parking | Transit            | Environmental<br>Services | Health<br>Services |
|-------------------------------------|-----------------------|--------------------|----------------------------------|--------------------|---------------------------|--------------------|
| Taxes                               | \$2,282,933           | \$0                | \$0                              | \$0                | \$0                       | \$0                |
| Government transfers – provincial   | 12,273                | 18,284             | 83                               | 201,588            | 3,303                     | 161,177            |
| Government transfers – federal      | 230                   | 38,912             | 5,896                            | 167,307            | 652                       | 315                |
| Fees and user charges               | 20,710                | 78,681             | 33,357                           | 136,430            | 505,012                   | 3,134              |
| Contributed tangible capital assets | 0                     | 0                  | 96,664                           | 0                  | 367,498                   | 0                  |
| Development charges                 | 2,442                 | 8,338              | 30,428                           | 86,361             | 28,435                    | 0                  |
| Fines and penalties                 | 23,179                | 29,801             | 0                                | 2,001              | 0                         | 0                  |
| Other                               | 113,855               | 2,838              | 513                              | 1,992              | 15,591                    | 173                |
| <b>Total revenue</b>                | <b>2,455,622</b>      | <b>176,854</b>     | <b>166,941</b>                   | <b>595,679</b>     | <b>920,491</b>            | <b>164,799</b>     |
| <b>EXPENSES</b>                     | General<br>Government | Protection         | Roads,<br>Traffic and<br>Parking | Transit            | Environmental<br>Services | Health<br>Services |
| Salaries and benefits               | 102,687               | 594,638            | 145,683                          | 368,756            | 94,723                    | 198,720            |
| Contracts and general services      | 7,949                 | 72,007             | 113,501                          | 90,575             | 127,268                   | 15,981             |
| Materials, equipment and supplies   | 27,403                | 64,828             | 93,144                           | 125,223            | 72,662                    | 24,671             |
| Interest charges                    | 268                   | 1,509              | 19,244                           | 69,271             | 29,821                    | 824                |
| Rent and financial expenses         | 18,989                | 14,712             | 8,304                            | 29,117             | 9,362                     | 4,812              |
| External transfers                  | (104)                 | 12,059             | (116)                            | (18,672)           | 5,084                     | (181)              |
| Interfunctional                     | (43,747)              | (16,215)           | (14,094)                         | 8,062              | 44,728                    | 8,706              |
| Amortization                        | 981                   | 13,708             | 123,778                          | 104,143            | 124,181                   | 5,118              |
| Loss (gain) on disposal             | 1,256                 | 1,074              | 3,918                            | 4,580              | 9,175                     | 323                |
| <b>Total expenses</b>               | <b>115,682</b>        | <b>758,320</b>     | <b>493,362</b>                   | <b>781,055</b>     | <b>517,004</b>            | <b>258,974</b>     |
| <b>ANNUAL SURPLUS (DEFICIT)</b>     | <b>\$2,339,940</b>    | <b>\$(581,466)</b> | <b>\$(326,421)</b>               | <b>\$(185,376)</b> | <b>\$403,487</b>          | <b>\$(94,175)</b>  |

## THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

### 21. Segmented information (continued)

#### Consolidated schedule of segment disclosure

For the year ended December 31, 2023

|   | Social and<br>Family<br>Services | Social<br>Housing  | Recreation<br>and Cultural<br>Services | Planning and<br>Development | Total              |
|---|----------------------------------|--------------------|--|-----------------------------|--------------------|
| <b>REVENUE</b>                            |                                  |                    |  |                             |                    |
| Taxes                                     | \$0                              | \$0                | \$0                                    | \$0                         | <b>\$2,282,933</b> |
| Government<br>transfers –<br>provincial   | 536,639                          | 100,477            | 3,748                                  | 0                           | <b>1,037,572</b>   |
| Government<br>transfers – federal         | 633                              | 52,374             | 4,053                                  | 164                         | <b>270,536</b>     |
| Fees and user<br>charges                  | 18,730                           | 84,417             | 60,568                                 | 18,824                      | <b>959,863</b>     |
| Contributed<br>tangible capital<br>assets | 0                                | 0                  | 22,635                                 | 1,290                       | <b>488,087</b>     |
| Development<br>charges                    | 150                              | 1,180              | 1,686                                  | 11,236                      | <b>170,256</b>     |
| Fines and penalties                       | 0                                | 0                  | 67                                     | 0                           | <b>55,048</b>      |
| Other                                     | 176                              | 15,688             | 13,735                                 | 11,837                      | <b>176,398</b>     |
| <b>Total revenue</b>                      | <b>556,328</b>                   | <b>254,136</b>     | <b>106,492</b>                         | <b>43,351</b>               | <b>5,440,693</b>   |
|   | Social and<br>Family<br>Services | Social<br>Housing  | Recreation<br>and Cultural<br>Services | Planning and<br>Development | Total              |
| <b>EXPENSES</b>                           |                                  |                    |  |                             |                    |
| Salaries and<br>benefits                  | 193,064                          | 65,921             | 236,708                                | 52,916                      | <b>2,053,816</b>   |
| Contracts and<br>general services         | 17,323                           | 5,374              | 44,470                                 | 5,826                       | <b>500,274</b>     |
| Materials,<br>equipment and<br>supplies   | 27,138                           | 143,934            | 78,714                                 | 12,060                      | <b>669,777</b>     |
| Interest charges                          | 406                              | 10,905             | 11,428                                 | 3,180                       | <b>146,856</b>     |
| Rent and financial<br>expenses            | (3,617)                          | 3,638              | 3,417                                  | (41)                        | <b>88,693</b>      |
| External transfers                        | 496,932                          | 191,192            | 11,041                                 | 24,759                      | <b>721,994</b>     |
| Interfunctional                           | (10,230)                         | 1,369              | (7,158)                                | (12,144)                    | <b>(40,723)</b>    |
| Amortization                              | 2,192                            | 13,079             | 23,984                                 | 804                         | <b>411,968</b>     |
| Loss on disposal                          | 922                              | 141                | 1,513                                  | 280                         | <b>23,182</b>      |
| <b>Total expenses</b>                     | <b>724,130</b>                   | <b>435,553</b>     | <b>404,117</b>                         | <b>87,640</b>               | <b>4,575,837</b>   |
| <b>ANNUAL<br/>SURPLUS<br/>(DEFICIT)</b>   | <b>\$(167,802)</b>               | <b>\$(181,417)</b> | <b>\$(297,625)</b>                     | <b>\$(44,289)</b>           | <b>\$864,856</b>   |

## THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

### 21. Segmented information (continued)

#### Consolidated schedule of segment disclosure

For the year ended December 31, 2022 (restated – note 25)

| <b>REVENUE</b>                      | General<br>Government | Protection         | Roads,<br>Traffic and<br>Parking | Transit         | Environmental<br>Services | Health<br>Services |
|-------------------------------------|-----------------------|--------------------|----------------------------------|-----------------|---------------------------|--------------------|
| Taxes                               | \$2,137,217           | \$0                | \$0                              | \$0             | \$0                       | \$0                |
| Government transfers – provincial   | 24,014                | 16,381             | 2,496                            | 405,417         | 8,214                     | 189,579            |
| Government transfers – federal      | 1,074                 | 54,740             | 5,882                            | 207,538         | 694                       | 2,347              |
| Fees and user charges               | 20,820                | 74,202             | 30,900                           | 108,412         | 470,407                   | 2,270              |
| Contributed tangible capital assets | 0                     | 0                  | 86,081                           | 0               | 363,618                   | 66                 |
| Development charges                 | 4,966                 | 1,383              | 28,536                           | 104,904         | 20,943                    | 0                  |
| Fines and penalties                 | 21,836                | 22,891             | 0                                | 2,000           | 0                         | 0                  |
| Other                               | 124,160               | 2,642              | 297                              | 5,935           | 6,517                     | 196                |
| <b>Total revenue</b>                | <b>2,334,087</b>      | <b>172,239</b>     | <b>154,192</b>                   | <b>834,206</b>  | <b>870,393</b>            | <b>194,458</b>     |
| <b>EXPENSES</b>                     | General<br>Government | Protection         | Roads,<br>Traffic and<br>Parking | Transit         | Environmental<br>Services | Health<br>Services |
| Salaries and benefits               | 104,933               | 544,816            | 137,444                          | 335,178         | 92,634                    | 229,452            |
| Contracts and general services      | 11,202                | 80,273             | 85,122                           | 92,141          | 124,669                   | 16,586             |
| Materials, equipment and supplies   | 29,142                | 63,662             | 89,459                           | 119,374         | 63,033                    | 20,720             |
| Interest charges                    | 343                   | 1,557              | 19,396                           | 67,113          | 29,680                    | 882                |
| Rent and financial expenses         | 16,033                | 8,863              | 9,967                            | 21,926          | 6,284                     | 3,654              |
| External transfers                  | (716)                 | 11,921             | (319)                            | (1,851)         | 5,035                     | (290)              |
| Interfunctional                     | (39,492)              | (15,675)           | (18,824)                         | 21,302          | 37,408                    | 7,263              |
| Amortization                        | 1,051                 | 13,563             | 118,008                          | 106,521         | 117,631                   | 5,039              |
| Loss (gain) on disposal             | 0                     | 404                | 5,615                            | 3,701           | 9,525                     | (17)               |
| <b>Total expenses</b>               | <b>122,496</b>        | <b>709,384</b>     | <b>445,868</b>                   | <b>765,405</b>  | <b>485,899</b>            | <b>283,289</b>     |
| <b>ANNUAL SURPLUS (DEFICIT)</b>     | <b>\$2,211,591</b>    | <b>\$(537,145)</b> | <b>\$(291,676)</b>               | <b>\$68,801</b> | <b>\$384,494</b>          | <b>\$(88,831)</b>  |

## THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

### 21. Segmented information (continued)

#### Consolidated schedule of segment disclosure

For the year ended December 31, 2022 (restated – note 25)

| <b>REVENUE</b>                         | Social and<br>Family<br>Services | Social<br>Housing  | Recreation<br>and Cultural<br>Services | Planning and<br>Development | Total              |
|--|----------------------------------|--------------------|--|-----------------------------|--------------------|
| Taxes                                  | \$0                              | \$0                | \$0                                    | \$0                         | <b>\$2,137,217</b> |
| Government transfers –<br>provincial   | 439,980                          | 127,357            | 5,419                                  | 609                         | <b>1,219,466</b>   |
| Government transfers –<br>federal      | 155                              | 29,925             | 24,465                                 | 399                         | <b>327,219</b>     |
| Fees and user charges                  | 17,094                           | 84,109             | 46,489                                 | 18,489                      | <b>873,192</b>     |
| Contributed tangible<br>capital assets | 65                               | 0                  | 18,202                                 | 1,271                       | <b>469,303</b>     |
| Development charges                    | 263                              | 3,464              | 2,074                                  | 1,886                       | <b>168,419</b>     |
| Fines and penalties                    | 0                                | 0                  | 64                                     | 0                           | <b>46,791</b>      |
| Other                                  | 118                              | 35,260             | 14,647                                 | 7,920                       | <b>197,692</b>     |
| <b>Total revenue</b>                   | <b>457,675</b>                   | <b>280,115</b>     | <b>111,360</b>                         | <b>30,574</b>               | <b>5,439,299</b>   |
| <b>EXPENSES</b>                        | Social and<br>Family<br>Services | Social<br>Housing  | Recreation<br>and Cultural<br>Services | Planning and<br>Development | Total              |
| Salaries and benefits                  | 180,169                          | 61,567             | 215,179                                | 50,452                      | <b>1,951,824</b>   |
| Contracts and general<br>services      | 19,026                           | 7,713              | 46,279                                 | 7,290                       | <b>490,301</b>     |
| Materials, equipment<br>and supplies   | 25,680                           | 171,531            | 71,029                                 | 11,487                      | <b>665,117</b>     |
| Interest charges                       | 521                              | 11,180             | 11,606                                 | 2,942                       | <b>145,220</b>     |
| Rent and financial<br>expenses         | 379                              | 7,100              | 4,013                                  | 11,844                      | <b>90,063</b>      |
| External transfers                     | 391,632                          | 186,582            | 10,941                                 | 21,629                      | <b>624,564</b>     |
| Interfunctional                        | (10,811)                         | (630)              | (9,611)                                | (10,969)                    | <b>(40,039)</b>    |
| Amortization                           | 2,113                            | 12,741             | 23,652                                 | 696                         | <b>401,015</b>     |
| Loss (gain) on disposal                | 41                               | 0                  | 9                                      | (131)                       | <b>19,147</b>      |
| <b>Total expenses</b>                  | <b>608,750</b>                   | <b>457,784</b>     | <b>373,097</b>                         | <b>95,240</b>               | <b>4,347,212</b>   |
| <b>ANNUAL SURPLUS<br/>(DEFICIT)</b>    | <b>\$(151,075)</b>               | <b>\$(177,669)</b> | <b>\$(261,737)</b>                     | <b>\$(64,666)</b>           | <b>\$1,092,087</b> |

## THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

### 21. Segmented information (continued)

The City is responsible for providing a wide range of services to its citizens, including police, fire, ambulance, public transit and water.

The City reports on functional areas and programs in its consolidated financial statements similar to the reporting reflected as part of the Ontario Financial Information Return.

These functional areas represent segments for the City, and expanded disclosure by object has been reflected in the above consolidated schedules of segmented disclosure.

A brief description of each segment follows:

- General government consists of Council, administration, and Ontario Property Assessment.
- Protection consists of police, fire and other protective services. These groups maintain the safety and security of all citizens by reducing or eliminating loss of life and property, by maintaining law enforcement, and preserving peace and good order.
- Roads, traffic and parking include parking, signs and signals, streetlights and the maintenance of roads within the City.
- Transit services provide local public transportation for citizens. They also include other transportation services such as planning and development.
- Environmental services include water supply and distribution, wastewater treatment, storm sewer systems and waste and recycling services. These services provide clean drinking water to residents, collect and treat wastewater, and collect and properly process waste and recycling items.
- Health services include paramedic and health services. Mandated health services promote and maintain health programs that optimize the health of residents. Paramedic services deliver timely and effective care for pre-hospital emergency care, along with medically required inter-hospital transportation.
- Social and family services include social assistance, long-term care and childcare services. Social assistance services determine, issue and monitor clients' eligibility for financial, social and employment assistance. Long-term care services provide secure and supervised health services for seniors who can no longer live at home. Childcare services provide subsidized childcare spaces and provide funding for wage subsidy, pay equity, and special needs.

## THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

### 21. Segmented information (continued)

- Social housing, with the partnership of 120 community-based agencies, provides a range of services, including housing, emergency shelters, outreach, search and stabilization to people in the community.
- Recreation and cultural services include parks and recreation, culture and libraries. Parks and recreation services develop and deliver high-quality recreational programs and develop and maintain recreation facilities, parks and sports fields to ensure all residents have the opportunity to enjoy a healthy lifestyle. Culture services invest in local non-profit organizations that deliver services on behalf of the City. Library services provide public library services to the citizens via physical facilities, bookmobile, virtual and telephone services.
- Planning and development services manage urban development for residential and business interests, as well as infrastructure and parks.

Program support costs for expenses have been allocated to other functions using guidelines and methodologies reflected in the Ontario Financial Information Return.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in note 2.

Condensed supplementary segmented information of the Ottawa Public Library Board is provided in note 28 to fulfill a condition of the City's contribution agreements with the Province of Ontario.

### 22. Public liability insurance

The City self-insures for public liability claims up to a specific amount, and outside coverage is in place for claims in excess of these limits.

## THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

### 23. Budget amounts

Budget data presented in these consolidated financial statements is based upon the 2023 operating and capital budgets approved by Council on March 1, 2023. Council-approved budgets are prepared on a modified accrual basis, which differs from budget amounts reported on the consolidated statement of operations and accumulated surplus, which are prepared in accordance with Canadian public sector accounting standards. The table below reconciles the approved budget with the budget figures reported in these consolidated financial statements using the accrual basis of accounting.

| <b>Budget reconciliation</b>                                    |                    |
|---|--------------------|
| <b>Revenues</b>   |                    |
| Adopted budget operating and capital                            | \$5,517,474        |
| Contributed tangible capital assets                             | 441,038            |
| Timing differences between capital budget and spending          | 421,176            |
| Consolidated entities   | 233,592            |
| Reclassification of investment income                           | 32,000             |
| Hydro Ottawa Holding Inc. equity pickup                         | 14,300             |
| Transfers from reserves   | (789,962)          |
| Proceeds of debt issued   | (245,656)          |
| Reclassifications and eliminations                              | (38,186)           |
| <b>Total budgeted revenues for financial statement purposes</b> | <b>\$5,585,776</b> |
| <b>Expenses</b>   |                    |
| Adopted budget operating and capital                            | \$5,517,474        |
| Timing differences between capital budget and spending          | 339,545            |
| Amortization  | 440,498            |
| Consolidated entities   | 233,592            |
| Change in other obligations to be funded in future years        | (20,322)           |
| Change in employee future benefits and pension agreements       | (42,844)           |
| Acquisition of tangible capital assets                          | (1,068,300)        |
| Transfers to reserves   | (750,918)          |
| Debt principal repayments                                       | (152,395)          |
| Reclassifications and eliminations                              | (38,086)           |
| <b>Total budgeted expenses for financial statement purposes</b> | <b>\$4,458,244</b> |
| <b>Budgeted annual surplus</b>                                  | <b>\$1,127,532</b> |

## THE CITY OF OTTAWA

Notes to the consolidated financial statements  
December 31, 2023 (*dollars in thousands*)

### 24. Related party transactions

The City enters into transactions with its subsidiary corporations in the normal course of business, under terms and conditions similar to those that apply to unrelated parties. Related party transactions with Hydro Ottawa are disclosed in note 5 and related party transactions with OCHC are disclosed in note 13. These transactions are measured at their exchange amounts.

### 25. Restatement of comparative information

The City adopted new public sector accounting standards on a retrospective basis that became effective for the year ended December 31, 2023, which required restatement of the affected financial statement line items for the prior period.

In addition, the City identified an item that had not been properly recognized or presented in the financial statements as described below. As a consequence, the related item has been corrected in each of the affected financial statement line items for the prior period.

The following notes summarize the impact on the consolidated financial statements.

#### **Adoption of new accounting standards on a modified retrospective basis**

##### **PS 3280 – Asset Retirement Obligations**

On January 1, 2023, the City adopted Canadian public sector accounting standard PS 3280. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets, such as asbestos removal in retired buildings by public sector entities. The new accounting standard has resulted in a withdrawal of the existing accounting standard PS 3270 – Solid Waste Landfill Closure and Post-Closure Liability. The City adopted PS 3280 on the modified retrospective basis at the date of adoption. Under the modified retrospective method, the discount rate and assumptions used on initial recognition are those as of the date of adoption of the standard.

The City removed the landfill liability that had been recognized to date and recognized an asset retirement obligation upon adoption of PS 3280 on January 1, 2023. The liability represents the required closure and post-closure care for the active landfill sites owned by the City. The liability was measured as of the date of purchase of these sites, when the liability was assumed.



## THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

### 25. Restatement of comparative information (continued)

#### Adoption of new accounting standards (continued)

##### PS 3280 – Asset Retirement Obligations (continued)

On January 1, 2023, the City recognized an additional asset retirement obligation relating to several buildings owned by the City that contain asbestos. The liability was measured as of the date of purchase of these buildings, when the liability was assumed. The City chose not to discount the liabilities.

In accordance with the provisions of this new standard, using the modified retrospective method, the City reflected the following adjustments at January 1, 2022:

|  | Transitional Adjustments |                   |                                 |              |                 |
|--|--------------------------|-------------------|---------------------------------|--------------|-----------------|
|  | Pre-ARO<br>Jan 1, 2022   | ARO<br>Adjustment | After<br>ARO,<br>Jan 1,<br>2022 | 2022<br>ARO  | Dec 31,<br>2022 |
| <b>Statement of financial position</b>   |                          |                   |                                 |              |                 |
| Asset Retirement Obligation -<br>Tangible Capital Asset                            | 0                        | 48,453            | 48,453                          | 0            | 48,453          |
| Asset Retirement Obligation -<br>Accumulated Amortization                          | 0                        | (32,911)          | (32,911)                        | (738)        | (33,649)        |
| <b>Net addition to capital assets</b>  | <b>0</b>                 | <b>15,542</b>     | <b>15,542</b>                   | <b>(738)</b> | <b>14,804</b>   |
| <b>Statement of operations and accumulated surplus</b>                             |                          |                   |                                 |              |                 |
| ARO expense - Difference<br>between ARO Landfill (PS3280)<br>and Landfill (PS3270) | 0                        | 868               | 868                             | 0            | 0               |
| ARO expense - Non Tangible<br>Capital Assets                                       | 0                        | 1,554             | 1,554                           | 0            | 0               |
| Amortization Expense - ARO   | 0                        | 0                 | 0                               | 738          | 738             |
| Accretion Expense adjustment -<br>ARO Landfill                                     | 0                        | 0                 | 0                               | (591)        | (591)           |
| <b>Total expenses</b>  | <b>0</b>                 | <b>2,422</b>      | <b>2,422</b>                    | <b>147</b>   | <b>147</b>      |

## THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

### 25. Restatement of comparative information (continued)

#### Correction of an immaterial prior period error

The City has adjusted the comparative information for an immaterial prior period error relating to the recognition and presentation of transfers of gas tax funds from the Government of Canada and the Province of Ontario under their respective gas tax agreements.

The City applies Public Sector Accounting Standard PS 3410 *Government Transfers* which is applicable to the recognition, measurement and presentation of the gas tax funds received by the City. The City first adopted PS 3410 in its 2013 annual financial statements, and at the time, took the accounting position that the transfers of gas tax funds should be recognized as revenue in the period the transfers were authorized based on an interpretation that the gas tax agreements did not contain sufficient stipulations restricting the use of the gas tax funds to create a liability at the time of receipt. As such, gas tax transfers were recorded in government transfers revenue in the period received and presented in accumulated surplus.

During the current year, the City reviewed this accounting position with respect to gas tax funding including reviewing the practices of Ontario major cities. The City identified that the interpretation with respect to the sufficiency of stipulations restricting the use of the gas tax funds was inconsistent with that of the other Ontario major cities. The City determined that the past recognition and presentation of the transfers of gas tax funds as revenue in the period received was in error and has corrected this immaterial prior period error in the comparative information as follows:

- (i) Decreased accumulated surplus and increased deferred revenue by \$120,400.
- (ii) Decreased government transfers revenue by \$22,884 and investment income by \$1,094.
- (iii) Decreased accumulated surplus, beginning of the year by \$96,422.

## THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

### 25. Restatement of comparative information (continued)

#### Effects of the restatement and correction

The effect of the restatement for the adoption of new accounting standards and the correction of the immaterial prior period error are as follows:

| <b>Consolidated Statement of Financial Position</b> |                        |   |                                      |             |
|---|------------------------|---|--------------------------------------|-------------|
| <b>As at December 31, 2022</b>                      | As previously reported | Correction of immaterial prior period error | Adoption of new accounting standards | As restated |
| Deferred revenue                                    | \$1,147,279            | \$120,400                                   | \$0                                  | \$1,267,679 |
| Landfill closure and post-closure                   | 38,838                 | 0   | (38,838)                             | 0           |
| Contaminated sites                                  | 6,769                  | 0   | 14,562                               | 21,331      |
| Asset retirement obligations                        | 0                      | 0   | 74,559                               | 74,559      |
| Total liabilities                                   | 7,244,298              | 120,400                                     | 50,283                               | 7,414,981   |
| Net debt  | (2,749,732)            | (120,400)                                   | (50,283)                             | (2,920,415) |
| Tangible capital assets                             | 20,903,977             | 0   | 14,804                               | 20,918,781  |
| Total non-financial assets                          | 21,002,106             | 0   | 14,804                               | 21,016,910  |
| Accumulated surplus                                 | 18,252,374             | (120,400)                                   | (35,479)                             | 18,096,495  |

| <b>Consolidated Statement of Operations and Accumulated Surplus</b> |                        |   |                                      |             |
|---|------------------------|---|--------------------------------------|-------------|
| <b>For the year ended December 31, 2022</b>                         | As previously reported | Correction of immaterial prior period error | Adoption of new accounting standards | As restated |
| Revenue:  |                        |   |                                      |             |
| Government transfers  | \$1,569,569            | \$(22,884)                                  | \$0                                  | \$1,546,685 |
| Investment income   | 74,237                 | (1,094)                                     | 0                                    | 73,143      |
| Total revenue   | 5,463,277              | (23,978)                                    | 0                                    | 5,439,299   |
| Total expenses  | 4,347,065              | 0   | 147                                  | 4,347,212   |
| Annual surplus  | 1,116,212              | (23,978)                                    | (147)                                | 1,092,087   |
| Accumulated surplus - operations, opening                           | 17,132,487             | (96,422)                                    | (35,332)                             | 17,000,733  |
| Accumulated surplus - operations, ending                            | 18,252,374             | (120,400)                                   | (35,479)                             | 18,096,495  |

**THE CITY OF OTTAWA**

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)**25. Restatement of comparative information (continued)****Effects of the restatement and correction (continued)**

| <b>Consolidated Statement of Net Debt</b>       |                           |  |   |             |
|---|---------------------------|--|---|-------------|
| <b>For the year ended<br/>December 31, 2022</b> | As previously<br>reported | Correction of<br>immaterial<br>prior period<br>error | Adoption of<br>new<br>accounting<br>standards | As restated |
| Annual surplus                                  | \$1,116,212               | \$(23,978)   | \$(147)                                       | \$1,092,087 |
| Amortization of capital<br>assets               | 400,276                   | 0  | 739   | 401,015     |
| Change in net debt                              | (158,106)                 | (23,978)   | 592   | (181,492)   |
| Net debt, opening                               | (2,595,301)               | (96,422)   | (50,875)                                      | (2,742,598) |
| Net debt, ending                                | (2,749,732)               | (120,400)  | (50,283)                                      | (2,920,415) |

  

| <b>Consolidated Statement of Cash Flows</b>                     |                           |  |   |             |
|---|---------------------------|--|---|-------------|
| <b>For the year ended<br/>December 31, 2022</b>                 | As previously<br>reported | Correction of<br>immaterial<br>prior period<br>error | Adoption of<br>new<br>accounting<br>standards | As restated |
| Annual surplus  | \$1,116,212               | \$(23,978)   | \$(147)                                       | \$1,092,087 |
| Amortization of capital<br>assets                               | 400,276                   | 0  | 739   | 401,015     |
| Increase in deferred revenue                                    | 135,505                   | 23,978   | 0   | 159,483     |
| Increase in landfill closure<br>and post-closure liability      | 2,038                     | 0  | (2,038)                                       | 0           |
| Increase (decrease) in<br>liabilities for contaminated<br>sites | (15)                      | 0  | 89  | 74          |
| Increase in asset retirement<br>obligations                     | 0                         | 0  | 1,357   | 1,357       |
| Cash provided by operating<br>activities                        | 1,186,643                 | 0  | 0   | 1,186,643   |

## THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

### 26. Adoption of new accounting standard on a prospective basis

PS 3450 – Financial Instruments, PS 2601 - Foreign Currency Translation, PS 1201 - Financial Statement Presentation, and PS 3041 - Portfolio Investments

On January 1, 2023, the City adopted Canadian public sector accounting standards PS 3450, PS 2601, PS1201 and PS3041. These standards were adopted prospectively from the date of adoption. The new standards provide comprehensive requirements for the recognition, measurement, presentation and disclosure of financial instruments and foreign currency transactions.

PS 1201 has resulted in the addition of a new financial statement called the statement of remeasurement gains and losses that is separate from the statement of operations and accumulated surplus. This new statement includes unrealized gains and losses arising from the remeasurement of financial instruments and items denominated in foreign currencies and any other comprehensive income that arises when the City includes the results of government business enterprises.

Under PS 3450, all financial instruments, including derivatives, are included on the statement of financial position and are measured either at fair value or amortized cost based on the characteristics of the instrument and the City's accounting policy choices. Adoption of PS 3450 has resulted in the City using fair value for the valuation of its equity holdings within the endowment fund investment because those equities have prices quoted in active markets. This adjustment to fair value of \$40,206 is reflected as an increase to investments and a corresponding increase of \$40,206 in the consolidated statement of remeasurement gains and losses. In addition to the above, the statement of remeasurement gains and losses also includes the share of other comprehensive loss from its subsidiaries of \$1,379 (note 5). As a result of the above, accumulated remeasurement of gains (losses) at the end of December 31, 2023 was \$38,827.

The adoption of PS 2601 and PS 3041 did not have a material impact on the City's consolidated financial statements.

### 27. Comparative information

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.

## THE CITY OF OTTAWA

Notes to the consolidated financial statements

December 31, 2023 (*dollars in thousands*)

### 28. Condensed supplementary segmented information

#### Ottawa Public Library Board

The following table provides condensed supplementary segmented information for the Ottawa Public Library Board (the "Board") to fulfill a condition of the City's contribution agreements with the Province of Ontario. The activities of the Board are included in the recreation and cultural services segment in note 21.

#### Statement of financial position

As at December 31, 2023, with comparative information for 2022

| <b>Financial position</b>         | <b>2023</b>     | <b>2022</b>     |
|-----------------------------------|-----------------|-----------------|
| Financial assets                  | \$55,845        | \$45,300        |
| Liabilities                       | 49,867          | 47,332          |
| <b>Net assets (debt)</b>          | <b>5,978</b>    | <b>(2,032)</b>  |
| <b>Non-financial assets</b>       |                 |                 |
| Tangible capital assets           | 36,003          | 37,886          |
| <b>Total non-financial assets</b> | <b>36,003</b>   | <b>37,886</b>   |
| <b>Accumulated surplus</b>        | <b>\$41,981</b> | <b>\$35,854</b> |

#### Statement of operations and accumulated surplus

For the year ended December 31, 2023, with comparative information for 2022

| <b>Revenue</b>  | <b>2023</b>     | <b>2022</b>     |
|---|-----------------|-----------------|
| City of Ottawa  | \$61,723        | \$58,280        |
| Province of Ontario - Ministry of Tourism, Culture and Sport: |                 |                 |
| Operating funding (Public Library Operating Grant)            | 1,210           | 1,210           |
| Pay equity funding (Public Library Operating Grant)           | 170             | 170             |
| Development charges   | (7)             | 123             |
| Other   | 1,241           | 813             |
| <b>Total revenue</b>  | <b>64,337</b>   | <b>60,596</b>   |
| <b>Expenses</b>   |                 |                 |
| Operating expenditures  | 58,210          | 55,649          |
| <b>Total expenses</b>   | <b>58,210</b>   | <b>55,649</b>   |
| Annual surplus  | 6,127           | 4,947           |
| <b>Accumulated surplus, beginning of the year</b>             | <b>35,854</b>   | <b>30,907</b>   |
| <b>Accumulated surplus, end of the year</b>                   | <b>\$41,981</b> | <b>\$35,854</b> |

## **THE CITY OF OTTAWA**

Notes to the consolidated financial statements  
December 31, 2023 (*dollars in thousands*)

### **28. Condensed supplementary segmented information (continued)**

#### **Comparative information**

The comparative information provided in the above condensed supplementary segmented information has been reclassified to conform with the financial statement presentation adopted in the current year.

As disclosed in note 18(j), the City is constructing a new joint library with Library and Archives Canada and receives reimbursement of a portion of the costs under a contribution agreement. In prior years, the City presented the related capital expenditures and funding in its segmented reporting of the Board. In the current year, the City decided to change its presentation and not include these amounts in the Board's segmented information. As a result, the comparative amounts have been adjusted as follows: tangible capital assets decreased by \$65,496, revenue decreased by \$16,253 and accumulated surplus, beginning of year decreased by \$49,243.